ELENA OSOKINA

STALIN'S QUEST FOR GOLD

THE TORGSIN HARD-CURRENCY SHOPS AND SOVIET INDUSTRIALIZATION

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ELENA OSOKINA

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For my parents and their generation of the 1930s

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Introduction

An Accidental Finding

> The past is gone—and there is nothing to be sad about?
>
> —Paraphrase of Bulat Okudzhava's lyrics

In the 1990s, while working on a book on Soviet trade and consumption in the Russian State Archive of Economics, I found a report by a state trade agency with the curious name "Torgsin."[1] The report claimed that revenue the Soviet government received through Torgsin provided one-fifth of the expenses for industrial imports during the first half of the 1930s, the decisive years of Stalin's industrialization. In some years, Torgsin's contribution was even more substantial: in 1933, its revenues covered a third of the USSR's expenditures on industrial imports. In that year, Torgsin surpassed the country's main hard-currency providers—exporters of grain, timber, and oil.[2] The discovery was surprising. Russian and Western scholars had barely mentioned Torgsin.[3] Yet the report I found suggested that it became an extremely important source of gold and currency to finance the Soviet industrial great leap forward.[4]

Torgsin—initially a small bureau and then the All-Union Association for Trade with Foreigners—was a state trade agency with a chain of hard-currency stores, the supplier of food and goods in the country.[5] At Torgsin's 1930 opening, only foreigners were allowed to make purchases in its stores. However, the need to finance an ambitious industrialization program, launched at the end of the 1920s, forced the Soviet government to search for new sources of hard currency. Starting in 1931, the

government allowed Soviet citizens to make purchases in Torgsin in exchange for their valuables—foreign currency, tsarist Russian gold and silver coins, and objects made of precious metals and gemstones.

With the beginning of forced industrialization in an attempt to centralize resources, Stalin's government destroyed the private sector and the market of the New Economic Policy (NEP), which caused a supply crisis in the USSR. Ration cards, at first for bread, spontaneously began to appear in 1928, and as the crisis deepened, the government officially introduced a nationwide rationing system for all major food products and goods in 1931. The rationing system continued for several years before finally being abolished in the mid-1930s, representing a rare case of long-term peacetime rationing in world history.

A very hierarchical, selective, and clearly insufficient state rationing system, and especially the mass famine (1932–1933) caused by Stalin's destruction of the peasant economy during collectivization, left people little choice but to exchange their heirlooms for food. Torgsin grew at lightning speed. No longer a small insignificant office with a few stores for foreigners, at its climax Torgsin had about fifteen hundred stores across the country and special representatives abroad. The government officially closed Torgsin on February 1, 1936, after the supply situation in the country improved and rationing was abolished.

The story of Torgsin and Stalin's drive for gold reveals an unknown side of Soviet industrialization and Soviet social history and illuminates new facets of Stalinism. It contributes to several important discussions in current historiography.

Scholars of Stalinism for decades have been debating sources and methods that provided for the rapid industrial development of the USSR during the first five-year plans. While Soviet historians claimed that the major source of investments was the industrial sector itself, and the expansion of production was achieved by investing the accumulative part (*nakopitel'naia chast'*) of the national income into production of capital goods (the "A" group industries), their Western colleagues mainly disputed the efficacy of collectivization, which allowed the state to pump food and raw materials from the countryside for exports and internal provisions.[6]

A study of Torgsin demonstrates that Soviet industrialization was financed through a wide variety of important sources. Torgsin became an economically successful means for Stalin to raise an extraordinary amount of revenue. Moreover, while the ruble expenses of Soviet industrialization could be taken care of through a large variety of sources

—such as the sales of compulsory bonds to the population, the printing press, different sorts of taxes, and redistribution of financial flows—obtaining gold and foreign currency was much more problematic. Torgsin played a crucial role in solving the hard-currency problem during the most desperate years of Soviet industrialization, when the gold reserve of the former Russian Empire had been exhausted, exports failed to bring the expected hard-currency revenues due to the world economic crisis, and Soviet industrial gold mining was nascent. Between 1932 and 1935, Soviet people brought to Torgsin almost a hundred tons of pure gold! This is the equivalent of about 40 percent of the industrial gold mining, which employed non-prison labor, over the same period of time. The prisoners of Dal'stroi, which was part of the Gulag system, in those years produced only a little over twenty tons. Torgsin's success, however, was achieved at a cost: the further material impoverishment of society.

Torgsin's story also allows us to draw some important conclusions about the functioning of the Soviet economy and the nature of Stalinism.

Scholars traditionally presented the Soviet economy of the 1930s as "market-less" (the planned centralized economy or the command economy), admitting at best the existence of limited market oases, mainly the so-called collective farm markets.[7] This vision did not go much beyond the vision of the Bolshevik leaders, who as a result of the 1920s–1940s debates recognized that the socialist economy was of a commodity-monetary type rather than based on equalizing distribution. Even so, they did not want to admit that the vast socio-economic zones outside of state planning and centralized control constituted important and integral parts of this economy. Later research on Soviet trade has challenged this view by documenting the existence of a tremendous and omnipresent black market and its vital role in the USSR's social and economic life under Stalin.[8] The black market developed mainly from grassroots activity, the energy and initiative of people who tried to survive or improve their living conditions.

Torgsin's story expands this vision of the functioning of the Stalinist economy as one based on the peculiar symbiotic relations between plan and market. It proves that not only the people but also the state played a role in shaping the market—and not just by imposing limits on market relations in pursuit of total control. Torgsin is an example of the state's economically successful entrepreneurship within the centralized economy. The analysis of Torgsin's prices undertaken in this book specifically proves that the government used this enterprise not to save the population from starvation but to capitalize on the famine. The fact of

this large-scale state entrepreneurship is especially interesting given that in the USSR any profit-making venture was officially proclaimed an economic crime.[9]

Expanding on my earlier work, this study of Torgsin shows that "industrial pragmatism," or even a kind of "industrial fetishism" that put the goal of industrialization above other needs and values, became one of the core principles of Stalinism. The Soviet leadership sacrificed millions of people to this "industrial fetish," but as Torgsin shows, it also had to sacrifice postulates of Marxism and the political economy of socialism, including the principles of the class approach, the market-less economy, and the state hard-currency monopoly. For the first and only time in Soviet history the government allowed its citizens to pay in Soviet stores —torgsins—with foreign currency, gold coins, and other valuables. In the interests of industrialization, Torgsin practically legalized hard-currency prostitution, and in its accumulation of gold it outperformed the political police. From this research Stalinism emerges as a complex phenomenon—not only, as scholars had already perceived, an ideology, a political system or a social phenomenon but also as a network of socio-economic institutions based on industrial priorities and a variety of peculiar state marketing strategies, including Torgsin.[10]

Scholars explore important dimensions of people's existence under Stalin by applying different theories of everyday life. This book expands the approach that presents everyday life as the outcome of interactions between two major actors, the state and the people.[11] While the state constantly sought total control to engineer social and economic life, people shaped the implementation of the state's plans by adapting or resisting to the new conditions in pursuit of their own interests.[12] According to this vision, Torgsin was not only a brainchild of Stalin's government and proof of the leadership's resourcefulness, it became a phenomenon of everyday life as a result of grassroots activities. Largely based on people's initiative and persistence on the verge of despair, Torgsin's activities went beyond the initial operations with foreign currency and gold to include many other types of valuables. People made the black market an integral part of Torgsin. Millions of buyers and sellers determined the social and cultural essence of Torgsin: in a predominantly peasant country, and especially during such enormous cataclysms as collectivization and the mass famine that affected the countryside much more than the cities, Torgsin became mainly a peasant phenomenon. Starvation drove millions of peasants into the ranks of Torgsin's buyers, and collectivization forced peasant youth to look for jobs in the cities,

including employment by Torgsin. While the state accommodated Torgsin for industrialization, people adjusted it to their own needs. As a result, Torgsin became one of the major means for survival for both—the state caught up in the acute gold and hard-currency crisis, and the people who became hostages of the state's industrial ambitions and repressive politics.

Torgsin's story contributes to the debates about the consumer culture that formed under Stalin. Scholars of Soviet consumerism mainly agree that the development of trade and consumption in the USSR progressed in line with global modernization, and that the Soviet and Western culture of consumption shared *ideas* (some utopian), specifically the belief that consumption is an important part of modern life and one of the main goals of citizens in mass production societies, the understanding of consumer culture as not as much a function of the availability of goods as of the stimulation and boosting of consumer desires and fantasies—as well as a faith in consumption as a magical means of self-transformation, due to which an uncouth peasant or worker could become a cultured citizen who shares the values of modern urban society.[13]

In *practice*, however, the Soviet experience differed from the Western model. The development of Soviet consumerism, many scholars believe, was the state's socio-political reform, wherein goods served as symbols and tools of state propaganda, a promise of future abundance, especially evident in the promotion of Soviet luxuries—caviar, champagne, chocolates, cognac. These products were on the festive tables of Soviet people. The state limited exports of them, saving them for domestic consumption. Meanwhile vital goods—butter, meat, soap, chintz—became luxuries, and people had to stand in line to get them. The *political* message encoded in the promoted luxurious goods, therefore, was more important for the state than economic profits. Torgsin's story, however, warns us not to exaggerate the political interpretation of Soviet consumer policy by proving that the ideas of profit and entrepreneurship were not alien to Stalin's consumer policy. The promotion of consumer values in Torgsin served the *economic* strategy of the state.

Unlike the Western model, as the existing historiography suggests, the development of Soviet consumer culture was characterized by the state's unprecedented role as producer, distributor of goods, and "legislator" of taste. Under conditions of acute shortages and recurrences of rationing, Soviet people had limited choices to create individual identities through consumer means; therefore, group identity prevailed. Given widespread shortages, money was not a sufficient condition for

satisfying consumer needs. A huge role was played by personal relations, the exchange of favors—*blat*.[14] Since the state could not cope with the satisfaction of the population's individual needs, and the sphere of legal private entrepreneurship was extremely limited, the black market reached enormous proportions. Ultimately, the development of consumer society in the USSR was the result of the interaction of the state regulations and the market.

This book supports and expands some of these conclusions. Torgsin was supposed to be the flagship of cultured trade, and it contributed to the development of a modern consumer society by offering new goods and services and by inspiring and satisfying consumers' desires. However, under conditions of acute shortages a few luxurious and magnificent torgsins in big cities inevitably got lost among the hundreds of dirty and unsightly shops that sold mostly basic foods and goods to crowds of hungry and tormented people. The state had neither the resources to turn fifteen hundred torgsins into model department stores of cultured trade nor the economic motivation—hungry people were not picky. By exploiting famine to obtain revenues, the Soviet leadership could postpone for the time being the implementation of the policy of "socialist consumption" expressed in the slogan of cultured trade.

This book reveals another feature of Soviet consumerism and everyday life. The arbitrary arrests of Torgsin's customers by police trying to fulfill its hard-currency procurement quotas by finding gold hoarders made shopping a risky business. Soviet everyday life required routine heroism; adventure and self-sacrifice became the norm.

Torgsin worked long enough to witness in the mid-1930s the big shift —a change in the state's course from the asceticism and self-sacrifice of the rationing period to the promotion of material consumer values and a joyful life.[15] In explaining the reasons for the shift, contemporary historians mostly focus on socio-*political* factors, interpreting the change as the authorities' response to the demands of an emerging middle class (highly paid groups of workers, the intelligentsia, and the state bureaucracy). In exchange for loyalty, the state endorsed middle-class needs and values such as the request for stability and prosperity, recognition of success and special status, material awards and privileges.

To expand this view, Torgsin's story points to the socio-*economic* reasons for the big shift. Protracted rationing caused many grave problems for the Soviet economy. Lean rations that leveled differences in wages served as weak incentives for work, and limited trade exacerbated a budget deficit that restrained the development of production. Stores full

of goods, varieties of consumer services, and fun leisure activities were to restore people's interest in earning money and therefore their motivation for work that would increase production and the flow of money to the state budget. On the abolition of rationing, Stalin admitted that it was necessary to revive the "fashion for money."[16] Thus the state recruited consumer temptations in the service of the country's industrial development.

Torgsin, together with the entire country, experienced the big shift—developed new services, improved quality and assortment of goods, introduced new trade methods. However, history did not give Torgsin time to explore the new opportunities. It was closed in early 1936.

This book is a result of a tremendous amount of archival work. It brings into scholarly usage a large array of information from the 1930s, previously classified and unknown to scholars, such as data on Soviet exports and imports, the state's gold and currency reserves, industrial gold production and gold purchased by the state from the population, and more. The book also offers the author's own calculations, including data on the level of gold mining in the USSR, Torgsin's profitability, and a comparison of prime cost of Torgsin's gold with the prime cost of gold mined in the Gulag by prisoners and by state mining industries that used non-prison labor.

This book is an academic monograph, but it discusses complex socio-economic issues in a simple and interesting way accessible to readers without a professional historical background.

The material in the book is arranged in four parts chronologically, from the birth of Torgsin to its swan song, and within this range—thematically. Part I discusses the reasons for the creation of Torgsin and its development into a trade empire. Part II explores the sources of Torgsin's hard-currency revenues and the dynamics of its purchase of people's valuables from its beginnings through its climax during the mass famine and to the closure. Part III focuses on the other side of Torgsin's activities—the sale of food and goods to the population. It documents the social, educational, and ethnic composition of the sales staff and the different types of Torgsin's patrons, from well-off foreign diplomats and members of the Soviet *nomenklatura* to robbers and prostitutes; it also examines changes in customers' demands and the state's pricing policy in Torgsin in connection with the worsening or improvement of the supply situation in the country. One of the central episodes of Part III is the troublesome rivalry between Torgsin and the political police in the pursuit of gold that affected both Torgsin's clients and its sales. Part IV

documents the reasons for Torgsin's decline and, more importantly, conceptualizes Torgsin as a sorcerer's stone of Soviet industrialization, the mechanism that allowed the government to convert basic and often low-quality food and goods into tons of hard-currency valuables. Finally, the conclusion discusses the ideological, political, and social paradoxes of Torgsin and its time in history, as well as the way it was perceived by its contemporaries and in our own day. It should be noted that the biographies of Torgsin's three chairmen are placed in the book within the periods of their rule—Torgsin's birth (Moisei Shkliar), its mournful triumph during the mass famine (Artur Stashevskii), and its decline (Mikhail Levenson). The political "weight" of each leading figure was reflective of Torgsin's growing or declining importance.

This book is a revised and abridged version of the original 2009 Russian publication, the second edition of which comes out in Moscow in 2021. All translations from Russian are my own. The Russian text is transliterated according to the Library of Congress style, except for commonly used transliterations of surnames, such as, for example, Trotsky instead of Trotskii.

This book materialized thanks to many people—my family and friends, colleagues, casual acquaintances, and even strangers. Two people were present at the origin of this study: Iurii Pavlovich Bokarev, who, in the late 1980s, recommended that I explore Soviet trade and consumption, a topic long neglected by historians; and Nikolai Krementsov, a historian of science with whom, in 1994, as fellows at the Kennan Institute in Washington, we discussed my very first article on Torgsin. I am indebted to Sergei Zhuravlev and Tat'iana Smirnova, Evgenii Kodin and Dem'ian Valuev, Douglas Northrop and Khurshida Abdurasulova, Andrei Sazanov, Crispin Brooks, and Terry Martin—who, each in their own way, helped me in gathering materials. Many thanks to all who helped me in the final stage of this study—who read the manuscript and made comments and discussed Torgsin with me in personal conversations or correspondence: Iurii Pavlovich Bokarev, Mark Harrison, Iurii Markovich Goland, Jukka Gronow, Yuri Slezkine, Lynne Viola, and Sergei Zhuravlev. Among the people I am indebted to are Mykola Horokh, Lew Hryhorczuk, and Mikhailo Kharitonov, who generously shared with me Torgsin materials from their collections.

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passed, but I remember the time spent in their company with warm feelings and appreciation for these people.

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I dedicate this book to the memory of my parents, Anna Petrovna Osokina and Aleksandr Andreevich Osokin, and together with them to the entire Soviet generation born in Stalin's 1930s.

I hope that the discoveries of this book will enthrall the reader as they enthralled me.

Part I

Small Bureau to Trade Empire

Chapter 1

The Birth of Torgsin

The Special Bureau for Trade with Foreigners on the Territory of the USSR, Torgsin for short, was created on July 18, 1930, by a decree of the People's Commissariat of Trade (Narkomtorg). The name was clearly bigger than the enterprise itself. Torgsin was then just a tiny division in the extensive metropolitan trade system. By the end of 1930, Torgsin was already reaching beyond the city of Moscow. It had opened offices in some of the Soviet republics and regions, although they were as yet too weak to be clearly distinguished among other local trade offices. On January 4, 1931, the government granted Torgsin the status of All-Union Association under the auspices of the USSR People's Commissariat of External Trade (Narkomvneshtorg). Still, another year would pass before the national rise of Torgsin became evident.

Before Torgsin, trade with foreigners within the Soviet Union was dispersed among many organizations. The emergence of Torgsin was part of a sweeping process of centralization and monopolization conducted by the Soviet state at the end of the 1920s and the beginning of the 1930s. By opening Torgsin's stores for foreigners, the Soviet government aimed to concentrate the entire domestic hard-currency trade in the hands of a single organization.[1] The service required from Torgsin was clear—to prevent foreign visitors from taking their currency back home.

At its start, Torgsin was mostly a seaport enterprise. Until November 1930, it supplied mainly foreign ships, their crews, and Soviet ships sailing abroad. The geography of Torgsin's first regional offices repeated that of

the major Soviet seaports: Arkhangel′sk, Batum, Novorossiisk, Taganrog, Vladivostok, Evpatoriia, and so on. The Soviet Commercial Fleet company —Sovtorgflot, which, before Torgsin, was in charge of supplying foreign ships in the Soviet seaports—operated sporadically, producing, to the government's displeasure, only an insignificant foreign currency flow to the state budget. Well aware of the deplorable state of affairs in Soviet seaports, foreign captains tried to replenish supplies ahead of time, before entering Soviet waters. In taking over the seaport trade, Torgsin faced "virgin lands."

Foreign tourists were also among Torgsin's first clients. In November 1930, Torgsin opened its first department store in the former Mikhailov house in the very center of Moscow at the corner of Petrovka Street and Kuznetskii Most. The choice of location was fortunate and hardly accidental. Before the revolution and during the relatively prosperous years of the NEP of the 1920s, Petrovka was famous for its trendy shops. In better times, ladies dressed expensively in the latest fads promenaded there. At the beginning of the 1930s, the street did not look as splendid, but the memory of its former glory was still alive.

In those days, Torgsin in Moscow offered carpets, fur, antiques, and phi-lately, as well as wine and vodka and some export-quality foods. The consumer goods in high demand among Soviet people, such as simple calico textiles and unpretentious clothes and shoes, were excluded from Torgsin's stock. Such goods were of no interest to foreigners and only attracted Soviet onlookers. Torgsin's retail prices ranged from 10 to 50 percent above the Soviet export prices on similar goods.[2]

At the beginning of 1931, in the wake of Moscow, Torgsin's stores opened in Leningrad: kiosks in the Evropeiskaia Hotel that traded in tobacco, crafts and souvenirs, and some food, and a small department store in the Oktiabr′skaia Hotel.[3] An antiques section in the Oktiabr′skaia grew, by October 1931, into an antiques store. A new director was appointed by the local party committee. Like many other officials charged with overseeing art sales to foreigners, he knew nothing about antiques or art but was a loyal party member.

Torgsin's trade in Leningrad during its "for foreigners only" period had a clear emphasis on art and antiques, with which the city was bursting with abundance after two hundred years as the capital of the Russian Empire. The revolution added substantially to the trove when the Bolsheviks made the Hermitage Museum a depository of nationalized art. Trains and carts brought loads of confiscated treasures to the Hermitage from all over the country, some of which were soon put up for sale.

At the beginning of Torgsin's activity, only short-term foreign visitors in the USSR could buy from its stores.[4] Government instructions forbade Torgsin from selling to foreigners who lived in the Soviet Union permanently or long-term, including diplomats and employees of foreign companies, as well as thousands of individuals who came to build socialism either for ideological reasons or to escape the depression raging in the West. These groups of foreigners were to be supplied by Insnab, a state trade organization that ran a network of restricted-access stores. Foreigners assigned to Insnab's stores shared much of the Soviet people's fate: in the first half of the 1930s, they lived on rations and could make purchases only in rubles, although their supplies were better in terms of variety, quantity, and quality of goods than those available to the majority of the population.[5]

Banning foreigners who lived in the USSR long-term from using hard currency in the state stores went against Soviet economic interests. This was a manifestation of the excesses of the state's rigid currency monopoly, under which all kinds of foreign currency operations were prohibited within the USSR. Although foreigners, unlike Soviet citizens, were allowed to have hard currency in their possession, the People's Commissariat of Finance (Narkomfin), a passionate advocate of the monopoly, tried to minimize the use of foreign currency as a means of purchase within the Soviet Union. This was true even for Torgsin. Thus only captains could make hard-currency payments for supplies and services provided to foreign ships. Crew members were not allowed to take cash on shore. The company that chartered the ship paid the Torgsin bills. According to the state's regulations, foreign tourists, who came to look at the first communist state, although not yet numerous,[6] had to make their purchases, including ones at Torgsin, not with "effective"—that is, hard—currency but with "Soviet rubles of foreign currency origin" (*sovetskie rubli valiutnogo proiskhozhdeniia*), or "currency rubles" (*valiutnye rubli*) for short.[7]

The "currency ruble" was visually indistinguishable from a regular Soviet ruble, but the difference between them was substantial. The "currency rubles" were rubles that foreigners received as a result of the lawful exchange of the foreign money that they brought into the Soviet Union. Every time foreign tourists paid with rubles in a hard-currency store like Torgsin, they had to present receipts issued by the State Bank of the USSR (Gosbank) proving the lawful currency exchange. In this way, Narkomfin tried to channel the flow of the hard currency brought to the USSR to the state's vaults, diverting it from the black market where the

exchange rate was more tempting for foreigners. In addition, foreign tourists were obliged to exchange their national currency for rubles without the right to reverse exchange. This inconvertibility made foreign tourists spend all their "rubles of foreign currency origin" before leaving the USSR. Moreover, the hard currency brought to the USSR could lose its legal status within three months if not deposited to a special account in Gosbank.[8]

The Soviet state also sought to control the hard-currency resources of those foreigners who came to the USSR for contract work. Each contract specified the portions of a salary that would be paid in rubles and in hard currency. The hard currency had to be deposited to an account abroad, so foreigners had to live in the USSR on the ruble portion of their salaries. At the beginning, in 1930–1931, the hard-currency payments as well as the overall salaries for foreign specialists were generous, as the Soviet government expected that Western technologies and experience combined with the "advantages of the planned economy" would produce an industrial miracle, but, alas, the dream did not come true. The disappointment, coupled with acute shortages of gold and hard currency in Soviet state reserves, led to drastic cuts in foreign specialists' salaries and hard-currency portions.

At the very end of 1930, Narkomfin at last abolished one of its absurd, and routinely flouted, restrictions and officially allowed those foreigners who were long-term residents in the USSR to buy goods in Torgsin's stores, although still only with "rubles of foreign currency origin": that is, at the expense of a reduction in the hard-currency portions of their salaries deposited to their accounts abroad.[9] Narkomfin continued to cling tenaciously to the state's hard-currency monopoly. Foreigners could buy jewelry made of precious metals and gemstones only with written permission from Narkomfin. Once again, Narkomfin reminded employees in trade that foreigners on long-term stays in the Soviet Union could not purchase goods with hard currency.

The extremes of the state monopoly hindered the fulfillment of Torgsin's hard-currency quotas demanded by the state plan, so, despite Narkomfin's protests, Torgsin's employees sold goods for hard currency to any foreigner, no matter the length of stay, and often "forgot" to check for the receipts confirming the origin of the rubles in foreigners' wallets.[10] The more acute the state's need for hard currency grew in early 1930s, the more Narkomfin eased the grip of the currency monopoly. Unable to stop the practice of selling goods to foreigners for hard currency altogether, Narkomfin began to demand that Torgsin at least

accept only currency that was legally brought to the USSR rather than acquired on the black market.[11] Torgsin's growing activity, however, required that this restriction be lifted as well. In May 1931, in order to "simplify the retail methods," Narkomfin officially allowed Torgsin not to ask foreigners for receipts proving the lawful currency exchange.

Foreigners could not take out of the USSR more money than they brought in, or even as much. Customs officials had to make complicated calculations. First of all, the cost of living had to be subtracted. As of June 1931, the subsistence minimum was set at ten rubles a day.[12] Also, according to a Narkomfin instruction of July 8, 1930, the cost of all goods purchased by foreigners in the USSR, especially those made of precious metals and gemstones, were to be counted as hard-currency expenditures. The Torgsin sales clerks had to explain the rule to clients and stamp their purchase receipts with "At the expense of the re-exportation of hard-currency valuables." Narkomfin insisted that Torgsin's clerks, before selling goods to foreigners, take into account the cost of living in the USSR and not allow foreigners to spend more money in the store than was shown on their Soviet bank's currency exchange receipts.[13] Only in May 1933, due to Torgsin's high profitability, did Narkomfin revise the rule and allow foreigners to take goods purchased at the stores out of the country without restrictions.[14] The required cost-of-living subtraction had apparently been canceled before that, in the fall of 1932, as part of the loosening of the state's currency monopoly.

Torgsin's trade led to an expansion of legal and, as one would expect, illegal hard-currency operations within the USSR. This is why all state organizations dealing with hard currency took part in discussing the expediency and limits of Torgsin's activities—including, above all, the Politburo, as well as Narkomfin, Gosbank, Narkomvneshtorg, and of course the Joint State Political Directorate (OGPU), the political police. Narkomfin was not the only one to protest against the creation of Torgsin. The OGPU representatives in some regions also believed that Torgsin was unnecessary and even politically harmful—the formal justification for that being workers' potential discontent with elite stores for foreigners.[15]

Archival documents do not state any other reasons for the OGPU's aversion to Torgsin, but it seems that a conflict of institutional interests played a role. Dealers who speculated in illegal hard-currency operations swarmed around torgsins; that meant more work for the OGPU, which had to fight the black market. Afterwards, relations between Torgsin and the political police were complicated and often strained. The OGPU—and then its successor, the People's Commissariat of Internal Affairs (NKVD)—

saw in Torgsin a successful rival in the competition for hard currency and gold. At the same time, however, Torgsin unwittingly assisted the OGPU by bringing to light those who were hoarding valuables. After that, the political police needed only to visit those identified and confiscate their possessions to fulfill its hard-currency quotas under the state plan.

The People's Commissariat of Foreign Affairs (NKID) also raised objections to the opening of Torgsin's stores at the beginning, as well as to excessive advertising of its activities.[16] The protest was justified by the fear of discontent among foreigners on long-term stays in the USSR, diplomats in particular. When the Soviet government eventually allowed diplomats to shop in Torgsin, the NKID withdrew its objections.

And what about Soviet customers? At first, the government not only did not allow them to shop in Torgsin but even forbade them from entering its stores. Narkomfin's stern directives reminded Torgsin employees that it was absolutely prohibited to accept hard currency from Soviet citizens as a means of purchase. In order not to tempt Soviet customers and attract gapers, it was recommended that Torgsin neither advertise widely nor decorate its shopwindows. A door sign warned, "The store serves foreign tourists and foreigners in transit only." The assortment of goods offered by Torgsin—antiques, carpets, furs, souvenirs—which were mostly useless to the vast majority of Soviet people, also helped keep unwelcome visitors away from its stores.

However, some Soviet customers, undoubtedly, became interested in Torgsin and managed to illegally penetrate its stores even during its "for foreigners only" period. Such efforts were facilitated by the rules the clerks had to follow: the direct question "Are you a foreigner?" was unacceptable, and a customer's ID could be asked for only if the clerks were absolutely sure they were dealing with a Soviet citizen. Indeed, life was not easy for the clerks of Torgsin. They had to determine not only what kind of dollars foreigners were bearing—legally brought to the country or illegally acquired on the black market—and what kind of rubles they held—of hard-currency origin or the regular kind—but also, based on only appearance and speech, they had to determine who stood in front of them: a Soviet citizen or a foreigner. In the case of the former, the militia or OGPU could confiscate any purchased goods and hard currency in the person's possession.

Soviet people had hard currency. Left over from the tsarist era, derived from the illegal trade of the Civil War period, or acquired via the legal hard-currency operations of the 1920s NEP, it lay hidden under mattresses, buried in the ground, or stashed in other secret places. And

hard currency continued to be smuggled into the USSR from abroad. In neighboring countries such as the Baltic states, Poland, and China—as well as in France, where many Russians who ran from the revolution found a refuge—émigrés opened "firms" to deliver hard currency to Soviet addresses, as advertisements in local newspapers testified. Hard currency was also sent to Soviet people by their relatives and friends abroad, hidden in letters and parcels. The black market served as a major redistribution mechanism of hard currency within the country.

At the beginning of the 1930s, Soviet citizens could legally receive hard currency through postal and bank transfers from abroad. Even in these operations, however, Narkomfin conducted an "iron grip" policy, diverting the hard currency to the state and foisting rubles on transfer recipients at an extortionate official exchange rate. According to a Narkomfin directive, Soviet banks could pay out in hard currency no more than a quarter of a foreign money transfer, with the remainder to be paid in rubles. Even that small—25 percent—hard-currency share could be obtained only if an individual made a categorical demand for it, on the threat of rejecting the transfer altogether.[17] No exception was made for foreigners. Their money transfers from abroad were also paid out largely in rubles.

The situation began to change in the summer of 1931 as well-founded rumors spread that Torgsin would soon serve Soviet citizens. People now more often refused to accept rubles on foreign money transfers and demanded payment in hard currency. The mass rejection of foreign transfers threatened an important source of hard currency for the state, prompting Narkomfin to take steps. Once again, it tried to solve the problem through an exchange that did not involve cash in order to preserve the state's hard-currency monopoly. Instead of paying transfer recipients with hard currency, the banks had to forward the transfers to personal accounts at Torgsin. Narkomfin at first did not allow the entire amount of a foreign transfer to be forwarded.[18] Gos-bank's Leningrad regional office, for instance, tried to establish a quota for hard-currency transfers to Torgsin. According to its director, five dollars a month was sufficient to buy necessary goods at Torgsin as a supplement to the existing rationing.

Documents illustrate that pressure from below led to an expansion of legal hard-currency operations within the country. In August 1931, the All-Ukrainian office of Gosbank reported to Moscow concerning the situation in Khar′kov, "Rumors are spreading in the city that Torgsin will sell goods to all citizens without exception in exchange for foreign

currency. Due to the rumors, many recipients of money transfers from abroad firmly insist on being paid in hard currency, refusing to accept rubles. If until now we were able to convince our clients that they were in no need of hard currency, then now with the opening of Torgsin's store it is not possible, and we, evidently, will be forced to pay all the foreign money transfers with hard currency." Moscow's reply is revealing: "If a foreign money recipient threatens to reject the transfer to be sent back abroad, then without any hindrance forward it to a Torgsin account."[19] The reports coming from Gosbank offices in Odessa, Leningrad, Kiev, Tiflis, and other cities confirmed that demands for hard currency were drastically increasing, people almost without exception were refusing to take rubles, and the number of rejected transfers was growing, while the flow of hard currency to Gosbank vaults had decreased or stopped altogether. Without waiting for instructions, banks on their own initiative forwarded the foreign currency transfers to Torgsin's accounts.[20]

On September 18, 1931, Narkomfin finally made an official decision on the matter,[21] legalizing the grassroots practice that had spread in the regions over the summer. Soviet recipients of foreign money transfers gained the right to forward the whole amount of a transfer or its portion to a special account in the State Bank of External Trade (Vneshtorgbank), and then use the bank receipts to purchase goods in torgsins. Foreigners abroad could transfer hard currency directly to Torgsin for their relatives and friends in the USSR. The directive also allowed Soviets who worked abroad and kept their money in Vneshtorgbank hard-currency accounts to transfer their funds to Torgsin. What was left after the transfer to Torgsin was paid in rubles. Once again, Narkomfin's special instructions directed that cash payments in hard currency could be made to Soviet recipients of foreign transfers only in response to categorical demands and could constitute no more than a quarter of the money sent. Some indulgence was granted to foreigners, who now could decide whether to take hard currency or rubles on money transfers from abroad.[22]

This analysis of Torgsin's initial period of activity shows how hard it was for the Soviet government to part with the state's hard-currency monopoly, despite the obvious and much-needed economic benefits of doing so. Fearing that foreign currency would end up in the hands of black-market speculators, who paid more than the official exchange rate, Narkomfin tried to nullify the legal domestic hard-currency operations with threats and shouts. This strict control was meant to help concentrate hard currency in the hands of the state, but the result proved to be exactly the opposite. By banning the legal use of hard currency, the

government blocked many potential sources of hard-currency revenue for the state budget and channeled its flow to the black market. On the black market, one could profitably sell foreign currency or use it to buy goods in short supply. The black market served not only the Soviet people but foreigners as well—buying rubles on the black market at a favorable exchange rate was normal practice among diplomatic missions in the USSR. What else could they do, since even the diplomats had to live on rubles? The extremism of the state's hard-currency monopoly turned people into speculators in spite of themselves.[23]

Meanwhile, industrialization quickly devoured the USSR's scarce hard-currency and gold reserves. By the beginning of the 1930s, the Soviet government faced the enormous problem of where to find the means to buy equipment, technology, and raw materials from abroad to supply the industrial enterprises it had under construction. The export of agricultural produce, which it was hoped would be a major source of hard currency, did not bring the expected sums. As a result of the depression that paralyzed the West, prices on agricultural products dropped catastrophically around the world. The USSR tried to solve the problem of falling hard-currency revenues by increasing the physical volume of agricultural exports, thus aggravating domestic food shortages and condemning its own population to hunger. The Politburo "gold commissions" searched frantically for additional sources of foreign currency and were not squeamish about means.

Torgsin was born amid this era as one of many golden streamlets. However, during its initial "for foreigners only" period, Torgsin's revenues were crippled by the limits set on the legal domestic hard-currency operations. The acute needs of industrialization forced the leadership to loosen the state's currency monopoly. Two commissariats, of finance and of trade, came to symbolize two competing trends. While Narkomfin tried to restrain the expansion of legal domestic hard-currency operations, Torgsin pushed them forward to enhance the inflow of foreign currency, on which the fulfillment of its trade plan depended. The grassroots activities developed in response to acute shortages of goods and foods promoted dealings in hard currency as well. In the grip of gold and hard-currency shortages, the government expanded Torgsin's mandate, first in December 1930 by allowing foreigners who were in the USSR for a long stay to purchase goods in its stores at the expense of the hard-currency quota of their wages. Then, at the beginning of autumn in 1931, official permission was given for Soviet citizens to forward money transfers from abroad to personal accounts at Torgsin. Narkomfin also

softened its requirement to verify the origin of foreigners' currency.

These changes were not yet enough to radically transform the essence of the state's hard-currency policy. Although, in January 1931, a small bureau called Torgsin was renamed the *All-Union* Association for Trade with Foreigners, this reflected aspirations rather than a fundamental change in the methods of solving the hard-currency problem. The framework of legal currency operations in the country, and consequently the scope of Torgsin's trade, remained narrow until the end of 1931. Moreover, Torgsin's retail network covered only the seaports and a very few major cities. While Narkomfin had been penny wise and pound foolish, a Klondike-worthy vein of riches stretched nearby, and finally it was discovered. With permission granted for Soviet citizens to buy goods in exchange for gold, the Torgsin retail chain became one of the major financial sources for Soviet industrialization: the golden streamlet turned into a mighty river. For that to happen, the state had to sacrifice some of its hard-currency monopoly. Despite its obvious benefits to the state, the idea of the colossal gold campaign did not emerge from the country's leadership, the Politburo. It came from the director of a Moscow store.

Chapter 2

A Golden Idea

The Soviet state established its monopoly over gold during the first months of its existence. The subsoil and its wealth were nationalized.[1] At the same time the hunt for people's valuables started.[2] Legendary Soviet-era movies depict relentless chekists searching for bourgeois caches and treasures. Valuables in bank vaults and personal accounts, nobles' estates, palaces, and museums became state property. During the years of the Civil War, it was prohibited to buy, exchange, sell, or even hold foreign currency and gold. Citizens had to give their currency valuables to the state, with no compensation. If caught, those who violated the prohibition could pay with their lives.

By the beginning of the NEP, in accordance with the law, platinum, gold, and silver coins, as well as gold and platinum in bullion or in any other raw form in private possession, were subject to confiscation, regardless of the amount. In addition, Soviet people were required to surrender jewelry and household items made of precious metals and gemstones without compensation, if the amount in private possession exceeded government quotas: no more than eighteen *zolotniki* of gold and platinum, no more than three Russian pounds (about 1.2 kilos) of silver,[3] three carats of diamonds and other precious stones, and five *zolotniki* of pearls per person.[4] Paper money "of all types," if the amount in private possession was more than twentyfold the minimum salary of the area, had to be deposited to personal accounts in Gosbank. The first year of the NEP (1921) changed the policy only partially. As before, citizens had to

surrender their currency valuables to the state but this time in return for payment at market prices.[5]

It seemed that the state would never give up seizing valuables, but the next year brought changes. The government decree of April 4, 1922, abolished the obligatory surrender of currency valuables to the state. Other legislation followed, and as a result, the legal hard-currency market emerged.[6] Gold and other precious metals in objects and bars, as well as precious stones could freely circulate in the country. The purchase and sale of tsarist gold coins and foreign currencies were also allowed, but Gosbank retained a monopoly over these operations, to prevent tsarist gold coins and foreign currencies from turning into legal alternative means of payment alongside rapidly depreciating Soviet paper rubles.[7] This restriction presented a major difference between the hard-currency operations of the NEP period and the activity of Torgsin to come. By establishing Torgsin, the state allowed people to use gold and foreign currencies as a means of payment in the USSR, although the procedure of a formal prior exchange of valuables for Torgsin's money disguised the essence of the transaction.

The legal hard-currency market that emerged during the NEP was part of the monetary reform of the *chervonets* ruble, the new Soviet currency, introduced in 1922 to fight the post–Civil War hyperinflation and backed by precious metals and foreign currencies.[8] The life of the legal hard-currency market of the NEP was short—by the end of 1926 the government had driven it underground—but exciting. L. N. Iurovskii, a deputy, then the head of the Currency Department (Valiutnoe upravlenie) of Narkomfin, and one of the authors of the chervonets monetary reform —was a founder of the first Soviet legal hard-currency market. Specialists in the Currency Department did not consider it productive to prohibit private possession of gold coins and foreign currencies, although there were attempts to introduce such prohibitions during the NEP. Nor did they find it sensible to prohibit private buying and selling of tsarist gold coins and foreign currency, because that would only send them to the black market, which in turn would lead to rising prices for hard-currency valuables and goods. It was considered better to allow private operations in gold and hard currency than to fight the inflation caused by their prohibition.

During the years of the NEP, the Soviet people could freely buy and sell foreign currency and tsarist gold coins on the market (stock exchange, bourses), on Gosbank's premises, or at outlets in state stores, where the presence of goods motivated the inflow of valuables. Soviet

citizens also had the right to transfer foreign currency abroad up to the value of one hundred rubles a month at the official exchange rate. Transactions involving larger sums required special permission. If going on a trip abroad, citizens could legally take with them up to two hundred rubles in foreign currency.[9]

The government actively interfered with the work of the hard-currency market by using, at that time, mostly economic measures. Gosbank and Narkomfin conducted so-called currency interventions (*valiutnye interventsii*), to strengthen the chervonets, introduced into circulation only recently. For this purpose, in August 1923, a Special Section (Osobaia chast′) was created in the Currency Department of Narkomfin,[10] headed by Iurovskii's man, L. L. Volin.[11] The currency interventions aimed to maintain a free-market exchange rate of the chervonets close to the official exchange rate. To make that happen, agents of the Special Section, who included professional currency dealers, bought and sold gold coins and foreign currencies at the official and black exchanges (special booths on markets), and at the "evening stock exchanges" (*vechernie fondovye birzhi)*, called *amerikanki*, that operated in Moscow, Leningrad, and Khar′kov.[12] The gold coins and foreign currencies that Gosbank and Narkomfin threw to the free market during the currency interventions decreased their market value in favor of the chervonets. The Politburo sanctioned the interventions, while the secret agents of the OGPU Economic Department (Ekonomicheskoe upravlenie, EKU OGPU) controlled them through the agents who supervised the exchanges. The agents of the Special Section of the Currency Department of Narkomfin who conducted the interventions were registered with the OGPU. When the state policy later changed, this activity cost many of them their freedom and in some cases their lives.

The currency interventions were a state secret. Agents of the Special Section looked like any other exchange dealer. For their work they received 0.5 to 1 percent of the currency they bought and sold, making on average about 1,000 rubles a month. In some cases, they could obtain thousands in several hours. In comparison, the salary of communist party members allowed at that time, the so-called party maximum, constituted 225 rubles a month. Thus the government used professional currency speculators to strengthen the national monetary system while allowing them to make a fortune. After the introduction of repression against the legal currency market, first Volin and then Iurovskii were accused of this "crime."

The currency interventions of the NEP are important for Torgsin's

story because they allowed Soviet people to enhance their gold and foreign currency savings significantly, and some of these valuables ended up in Torgsin. The archives preserved data on the gold operations conducted by Gosbank during the NEP (table 1). Although this is only a part of the hard-currency operations of the 1920s, the figures nevertheless convey an idea of the scale of people's gold savings, accumulated to some extent from sales of tsarist gold coins by the government during the currency interventions. These data are also important for the comparison of the state's gold purchases during the NEP with the later turnover of Torgsin. Finally, Gosbank's data illustrate a change in people's affection for currency and demonstrate the role that the different types of gold played in their lives.

Purchases of gold from the population by Gosbank (table 1) during the NEP show that the operations involving so-called household gold (*bytovoe zoloto*)—a term that included jewelry, household items, scrap and other objects made of gold—and the operations with tsarist gold coins represent two different types of socio-economic behavior. People's sales of household gold to the state was an act of despair and an indication of crisis, because usually people sell valuable personal belongings when they have no other resources left. In the hardest post–Civil War years of devastation and hyper-inflation, Soviet people sold almost six tons of household gold to Gosbank (table 1). Improved conditions under the NEP led to a sharp decrease in people's sale of household gold. By 1926, it fell so low that Gosbank began to talk of an "almost complete depletion of people's gold accumulations," but Torgsin proved this conclusion wrong. By the mid-1920s, there was simply no longer an urgent need to sell personal belongings because the conditions of life normalized.

As people's sales of household gold to the state fell, Gosbank turned its attention more toward the purchase of gold from the gold mines that slowly revived after the destruction of the Civil War (table 1). In the beginning, Gosbank gave advances toward future purchases, but starting in the 1925/26 fiscal year, it shifted to lending money to assist state mining enterprises and private prospectors.[13] However, this activity did not last long. In the 1926/27 fiscal year, the purchase of gold from the major state gold-mining enterprises (Eniseizoloto, Lenzoloto, Aldanzoloto, and others) went to Narkomfin's jurisdiction, which explains the decrease in Gosbank's data for that year (table 1).

The operations with tsarist gold coins are more characteristic of popular entrepreneurship. During a crisis, people could sell gold coins to the state out of pressing need, but the purchase of tsarist gold coins from

the state was a capital investment. The difference between the value of coins sold by the population to the state and purchased by the population from the state during its hard-currency interventions reflects the degree of people's trust in the chervonets. At the beginning of the monetary reform, in 1922–1923, people purchased tsarist gold coins from the state, not trusting the deflating Soviet paper money and the newborn chervonets (table 1). Then the massive state hard-currency interventions in the free market strengthened the chervonets, and its free market exchange rate stabilized against gold and foreign currencies. Growing trust in the chervonets prompted the population to dump tsarist coins. In 1924, Gosbank bought more tsarist gold coins from the population than it sold (table 1). People's concerns about hard currency weakened, and an atmosphere of relative calm emerged. Now people more willingly accepted payments in the chervonets for money transactions from abroad and did not foam at the mouth to be paid with hard currency. The decrease in people's appetite for hard currency allowed the government to loosen restrictions. In September 1924, the quota for hard-currency transactions sent abroad increased from one hundred to two hundred rubles, and people could exchange three hundred instead of two hundred rubles on their trips abroad.

The situation began to change in 1925, with two trends fighting each other. On one hand, as the data show (table 1), thanks to the hard-currency interventions of the previous years and the stability of the chervonets, the population continued to actively sell tsarist gold coins to the state. At the same time, responding to inflation that began in 1925 due to the first government attempt to force industrialization, people started to hoard gold coins. In response, the government tightened its grip on hard currency. However, in that year there was not yet a sharp disparity between the purchase and sale of gold coins by Gosbank.

The end of the interventions along with the collapse of the legal hard-currency market of the NEP happened in 1926. Why and how did it occur? The future of the currency market depended on the choice of an economic strategy and the results of a power struggle within the country's leadership. Two concepts of industrialization bumped heads at that time. One, which could be metaphorically called "living within one's means," advocated a moderate pace of industrial development, a tight credit-monetary policy, and the use of economic means to maintain a stable exchange rate for the chervonets and to attract the population's hard-currency savings to the state. In the 1920s, Gosbank and especially Narkomfin with its leaders, G. Ia. Sokol'nikov and L. N. Iurovskii,

advocated this policy. The other concept, "living on credit," called for forced industrialization, which inevitably led to an unrestrained credit policy and emissions of paper money, and as a result to inflation and exacerbation of shortages. The leaders of the Supreme Board of the National Economy (VSNKh) and the State Planning Committee (Gosplan), such as S. G. Strumilin and V. G. Groman, were militant supporters of this policy.

Under the "living on credit" scenario, the hard-currency interventions made no sense: attempts to maintain a stable exchange rate for the chervonets by dumping tsarist gold coins and foreign currencies on the free market from the state vaults during escalating inflation would quickly exhaust the state's meager gold and currency reserves, whereas without currency interventions the chervonets would be quickly depreciated. As a result, people would stop selling gold and hard currency to the state and turn to the black market, where the exchange rate would be increasingly divorced from the low official one. Being unable to attract people's savings by economic means, the state would turn to mass repression.

The development of the country followed the "living on credit" scenario. In the 1925/26 fiscal year, national leadership increased capital investment in industrial development by 2.5 times. Printing presses worked furiously, throwing more and more paper money into circulation. According to the scenario, grain exports had to help replenish the country's hard-currency reserves, pay for imports, and support the domestic monetary system. But state procurement prices did not suit the peasants, while the government had insufficient goods to sell to the peasants to stimulate procurements. The increase in paper money in circulation, together with the shortages of goods, led to rapid price increases. At that time, the government could control only the wholesale prices (*otpusknaia tsena*) of state enterprises and prices in the cooperatives, while retail was almost entirely in private hands. The purchasing capacity of the chervonets began to fall, and the gap between its black market and official fixed exchange rates widened.

To back the chervonets during escalating inflation, the government first increased its hard-currency interventions in the free market. In October 1925, Gosbank and Narkomfin sold 2.1 million rubles in tsarist gold coins to the population; in November, 4.2 million; in December, 7.2 million; and in January 1926, more than 7.6 million. Within these four months alone, the state threw into the free market tsarist gold coins worth more than 21 million rubles but was able to buy very little from the

population: 283,000 rubles' worth of gold bought in October fell to 190,000 in December.[14] To maintain the hard-currency interventions, in 1925/26 Gosbank even minted tsarist gold coins worth 25.1 million rubles out of its gold reserves to sell through its agents on the free market![15] In addition, from October 1925 to February 1926, as part of their interventions, Gosbank and Narkomfin dumped onto the market $4.1 million and almost £500,000 (in currency). In February 1926, the government tried to reduce the cost of the interventions by repressing illegal purchases of hard currency but, despite this effort, had to throw into the market tsarist gold coins worth 6.3 million rubles, as well as $812,000 and £98,000.[16] At the same time, the Soviet government had to take measures to back the chervonets abroad. In July 1925 alone, it spent 1.7 million rubles to buy up chervonets that circulated in foreign countries.[17]

The gold and currency reserves of the USSR could not withstand such expenses.[18] In December 1925, the Gosbank leadership informed the Politburo that it had insufficient means to pay for imports. As a result, the Politburo had to allow the export of gold from state reserves: in December 1925, Gosbank exported gold worth 15 million rubles and, in January 1926, another 30 million rubles' worth. Some of this gold was sold, and some was deposited in foreign banks as a guarantee of payments for imports.[19] By April 1926, the precious metal reserves of Gosbank that were free of obligations had decreased by a third in comparison with October 1, 1925, and the country's total hard-currency reserves had declined by 82.5 million rubles, to only 221.4 million.[20]

In early 1926, the government began to curtail legal hard-currency operations because of acute hard-currency shortages. The monthly allowance for individual transfers abroad was halved from two hundred to one hundred rubles, and many local Gosbank offices ceased accepting transfers and stopped selling hard currency except to people traveling abroad. The government sharply increased customs duties on goods imported by mail. As a result, many of the parcels that came from abroad had to go back to senders because their addressees could not pay the cost. The cost of a travel passport jumped from thirty-eight to two hundred rubles (three hundred rubles for the unemployed).[21]

Trying to reduce the amounts expended on hard-currency interventions, the Politburo took measures against smuggling and illegal, unlicensed purchases of gold and hard currency conducted by enterprises and organizations. Stalin was not a supporter of the hard-currency market. At a session of the Politburo's commission on January 18, 1926, he moved to deprive "currency speculators" of the chance to use

interventions to harm the state. That was a sanction to start repression.[22] From February through April, with the Politburo's approval, the OGPU conducted mass arrests of currency dealers in big cities.[23] There had been repression against currency brokers before, such as at the end of 1923 and the beginning of 1924, but during the monetary reform of the chervonets, then underway, the Politburo heeded Narkomfin's opinion and restrained the OGPU.[24]

The repression of 1926 marked a radical turn in hard-currency policy. From then on, coercion became a major means to extract valuables from the population. The OGPU acquired more freedom of action. In the border areas in March 1926, the Council of Labor and Defense (STO) permitted the OGPU to carry out searches, confiscate hard currency and gold, and arrest those who were *suspected* of smuggling. It was up to the OGPU to decide how far the border areas stretched.[25] As a result of the economic sanctions and repression, the legal hard-currency market shrank, and many of its operations went underground.

Advocates of forced industrialization stepped up attacks on the policy of hard-currency interventions and personally against the officials who carried them out, demanding that the currency funds go to finance industrial development rather than to stabilize the monetary system. Proponents of the interventions understood as well that without maintaining the restrained credit and emission policy the hard-currency interventions made no sense. In March 1926, the interventions drastically decreased and by April they had almost ceased.[26] At the same time, the Politburo stopped listing the chervonets abroad; its export was banned.[27] Thus the idea of the convertible Soviet currency was buried.

The decision to halt the currency interventions, which under different circumstances could have become just a temporary economic measure, was richly politically flavored and conducted by police methods. From February to March 1926, along with the repressions against the currency dealers in the big cities, the OGPU arrested the head of the Special Section of the Currency Department, Volin, as well as some of his employees and relatives. A. Chepelevskii, head of the Moscow branch of the Special Section, was arrested as well. The OGPU accused them of making a pact with the currency speculators that led to the enrichment of the black-market dealers and undermined state currency reserves. The prosecutors pretended they did not know that the interventions were not a private business of the accused but the state policy conducted on the Politburo sanction and under the supervision of the OGPU. With Politburo approval, Volin and Chepelevskii were convicted by the OGPU Collegium and shot.[28]

The Special Section was liquidated. In its place, the government created a State Securities Office (*fondovaia kontora*), which had to regulate hard-currency operations through the credit institutions without the help of "currency speculators."

The 1925/26 crisis was resolved by returning to the "living within one's means" scenario. Forced industrialization was postponed. The economic development plan for 1926/27 was revised. The government returned to a restrained credit policy, but it did not revive the hard-currency interventions and the legal hard-currency market that existed during the monetary reform of the chervonets, even though the national economic situation had stabilized and, from the spring of 1926 to the summer of 1927, state hard-currency reserves had grown.

The destruction of the legal hard-currency market, which had constituted one of the central elements of the monetary system during the first half of the 1920s, was a serious blow to the principles of the NEP and its great loss. The political strengthening of Stalin and his supporters led to the restart of forced industrialization in 1927 and the abandonment of the NEP. The shift from maintaining a stable monetary system to credit expansion was completed. With rising inflation and the end of hard-currency interventions, the exchange rate of the chervonets in relation to gold and hard currency on the free market diverged increasingly from the official rate. With the beginning of forced industrialization, in some regions the price of the tsarist gold ten-ruble coin was already more than double its nominal value, and the free rate for the dollar was 30 to 40 percent higher than the official rate.[29] At the beginning of the 1930s, shortages and inflation continued to increase.

During the mid-1920s, under a stabilized monetary system and increasing trust in the chervonets, people had bought government securities, preferring to receive income from interest than from buying up gold and hard currency, but with the escalation of shortages and inflation, only a few wanted to keep their savings in Gosbank or purchase government loans because it was much more profitable to invest in gold and hard currency. Those who received money transfers from abroad once again began to demand payment not in the chervonets but in the "effective currency." Industrialization, which was gaining speed, urgently needed hard currency, but it became practically impossible to attract people's savings by economic means. The currency valuables flowed under the government's nose to the black market. As a result, the punitive interventions increased: searches of people's homes, confiscations of valuables, and arrests of their owners.

The EKU OGPU was in charge of repression against currency holders. The militia and its Criminal Investigation Department (Ugolovnyi rozysk, UGRO), which used to investigate the cases, now had to hand "currency speculator" files over to the OGPU.[30] At the end of the 1920s and beginning of the 1930s, under the slogan of combating currency speculation, the mass seizure of people's valuables took place, including the 1930 campaign to confiscate silver coins, during which the OGPU also arrested people hoarding gold. The EKU OGPU's Circular 404 of September 20, 1931, permitted seizure of gold and silver household objects as well. The OGPU agents worked with such zeal that the EKU had to clarify: a special circular of September 1932 explained that precious household objects were to be confiscated only if their value indicated "commercial speculative use" or "exceptional currency importance." However, the abuses continued.[31] In 1930–1932, "in order to combat smuggling," mass operations against foreign currency holders swept the country. Politburo resolutions with statements such as "oblige the OGPU within seven days to get hard currency worth two million rubles" or "categorically suggest that the OGPU provide Gosbank with hard currency worth at least one million rubles within one month" were regular, if not constant.[32]

Methods used by the OGPU varied from persuasion to deception to terror. Nikanor Ivanovich's dream, from Mikhail Bulgakov's famous novel *Master and Margarita*, in which the OGPU used a theatrical performance to persuade the arrested to give up their valuables, was not just the fruit of Bulgakov's imagination.[33] In the 1920s, the OGPU used Jewish melodies played by an invited musician to persuade Jewish entrepreneurs of the NEP to give up their valuables.[34] But jokes aside, there were bloody methods in the OGPU arsenal, such as "steaming off dollars" (*dollarovaia parilka*): the OGPU kept victims in prison and tortured them until their relatives and friends abroad sent a currency ransom.[35] Execution of the currency and gold hoarders, sanctioned by the Politburo, was among OGPU methods as well.[36] By the beginning of the 1930s, the country returned to the rigid currency policy of the Civil War.

The mass repression of owners of gold and foreign currency that took place at the end of the 1920s and beginning of the 1930s was not supported by a respective change in the legislation. Government decrees and regulations of the first half of the 1920s that permitted private possession and free circulation of gold and foreign currency formally remained in force. Thus, under the pretext of fighting currency speculation, the OGPU violated the law. Soon sporadic attacks against currency holders were transformed into a systematic campaign to drain

the population of their valuables, which included gathering economic information about "socially suspicious elements," searching for people's deposits in foreign banks and inheritances of currency from relatives abroad, and hunting down currency holders on the run.[37]

The OGPU methods yielded some success in finding large savings concentrated in one set of hands, but in the country there were valuables of a different sort. People did not hide them in caches, mattresses, or vents. They shone in full view: a wedding ring on a finger, an earring in an earlobe, a brooch on a dress. Everybody had at least something made of gold, and if multiplied by the millions of Soviet people, these valuables constituted enormous wealth. As state gold and foreign currency reserves became depleted and the currency needs of industrialization grew, national leaders increasingly yearned to seize these simple valuables scattered across the country in jewelry boxes, sideboards, and dressers.[38] The question was how it was to be done. Force was unlikely to work: there were not simply enough police agents to hunt for each wedding ring.

In 1930, when Torgsin was born, the Soviet population already lived on scarce rations, and mass famine was looming. What to offer in exchange for people's valuables was obvious. The people themselves suggested the answer. In May 1931, the Odessa office of Torgsin reported to Moscow, "There were several cases here when people asked us to sell them food in exchange for old Russian gold coins." The local GPU office and the city soviet, when approached by the Odessa Torgsin, had no objection to such an exchange. However, the practice had to be sanctioned by the central authorities.[39]

Odessa's was not the only Torgsin office to which people brought gold with requests to exchange it for food and goods.[40] The first to bring their valuables to Torgsin, before official permission was granted, took a personal risk because repression against currency and gold holders was rampant. On June 14, 1931, Narkomfin finally allowed Torgsin to accept tsarist gold coins in payment for its goods. Coins in perfect condition were accepted by Torgsin at face value, and those with defects by weight at the rate of one ruble and twenty-nine kopecks per gram of pure gold.[41]

How gold coins came to be accepted by Torgsin—as well as the story of foreign currency transactions from abroad, told in the previous chapter—outlines the development of Torgsin. The government needed hard currency and gold, but driven by hunger, it was the people who took the initiative. In this respect, Torgsin, the enterprise to drain people of their wealth, was no less the brainchild of the people who fought to survive than it was a product of resolutions of the country's leadership seeking

for currency valuables.

Gold tsarist coins began to flow to Torgsin. However, the true currency revolution happened when the government allowed Torgsin to accept personal and household items made of gold such as jewelry, medals and other honor decorations, crosses, watches, snuff boxes, dinnerware, and gold scrap from the Soviet people in exchange not for rubles, as was the rule in the gold purchase outlets of Narkomfin and the Gosbank, but for goods and foods in short supply.[42]

The idea of exchanging goods for household gold belonged to Efrem Vladimirovich Kurliand, who served, at the time of his "radical proposal," as the director of Torgsin Store no. 1. The archive preserves his letter addressed to Narkomvneshtorg in October 1932.[43] That was a time of rocketing success for Torgsin, the right moment to claim royalties. By the time Kurliand wrote the letter, he had risen to the post of commercial director of Torgsin's Moscow regional office. According to Kurliand, he made his proposal in March 1931, but it took months and "endless ordeal" for his proposal to be implemented. Finally, in December 1931, with the verbal authorization of M. I. Shkliar, the chairman of the Torgsin Board (*Pravlenie*), Kurliand's store became the first in the country to sell goods in exchange for household gold. A few weeks later, Narkomvneshtorg issued its official written permission.

In giving Kurliand permission to start selling goods for household gold, Shkliar took only a modest risk, since the country's leadership had already made the decision in principle. On November 3, the Politburo had instructed Narkomvneshtorg to accept household gold through Torgsin. The special commission composed of the heads of the institutions in charge of hard-currency operations—including A. P. Rozengol'ts (Narkomvneshtorg), G. F. Grin'ko (Narkomfin), A. P. Serebrovskii (Soiuzzoloto), M. I. Kalmanovich (Gosbank), and T. D. Deribas (OGPU)—had to define the territories of Torgsin's operations and its methods.[44] On December 10, 1931, the Council of People's Commissars (Sovnarkom, SNK) following the decision of the Politburo, issued a corresponding resolution.[45] In essence, the resolution constituted official recognition of the poor state of the country's gold and hard-currency reserves and as such was not for publication. The government probably assumed that news of Torgsin's activity would spread from mouth to mouth anyway, and it was not mistaken. Even before Narkomvneshtorg issued official permission, rumors that Torgsin soon would start to sell its goods to the Soviet people in exchange for their currency valuables circulated throughout the country.[46]

According to the Sovnarkom resolution, the value of gold objects that people brought to Torgsin was defined by the weight of pure gold in them and its price expressed in chervonets rubles based on the parity between the chervonets and gold.[47] This did not mean that the owners of valuables were paid in chervonets rubles. In Torgsin, people did not receive money for their valuables that they could use in other stores or take abroad or hoard but were paid with short-term paper commitments (the form of these changed with time) that could be legally used only in Torgsin or illegally in the black market. Strictly speaking, Torgsin's so-called gold ruble (*zolotoi rubl'*), in which its prices were expressed, had no physical form but was a conventional unit used for calculations. However, the fact that the prices in Torgsin were shown in chervonets gold rubles gave more weight and respect to Torgsin's operations in people's eyes. Although the collapse of the chervonets monetary system accelerated with the beginning of forced industrialization, the chervonets still retained the reputation of a monetary unit backed with gold. Precisely because the Torgsin ruble was linked with the chervonets, it was called the gold ruble. However, that was only an illusion, since it was not possible to exchange Torgsin's "money" for gold, currency, or valuables. Fulfillment of the obligation to provide goods for Torgsin's paper money depended entirely on the government's decency. The Torgsin gold ruble could easily turn into useless paper.

The Sovnarkom resolution that initiated operations involving household gold in Torgsin lacked an essential postulate of Marxism—the class approach. Suppression of the rights of "socially alien elements" was a norm of the time, and violation of their rights by Torgsin would logically fit the hierarchy of the 1930s. And yet it did not happen! In Torgsin all customers were socially equal. The government did not differentiate by social status or origin, source of income, prerevolutionary activity, nationality, or involvement in industrial production. There was not a word on such differentiation either in the resolution on the creation of Torgsin, or in the subsequent documents that regulated its activity. It did not matter to the government who brought gold to Torgsin or how people acquired it, as long as valuables were arriving. Anyone who had gold could exchange it for goods in Torgsin, even a *lishenets* (a person deprived of political rights) or an "enemy of the people." Neither the proletariat nor the emerging "new class," the bureaucracy, had official privileges in Torgsin. It was not "class" that ruled in Torgsin but the "golden calf." The inequality of Torgsin's customers was economic: whoever had more valuables could buy more. In this respect, there was

not a speck of socialism in Torgsin; it was a "merciless capitalist" enterprise. At the same time, in its lack of social discrimination, Torgsin presented the most democratic socioeconomic institution of the time. By opening Torgsin to Soviet customers in the interests of industrialization, the government not only undermined the policy of the state hard-currency monopoly but also sacrificed a fundamental ideological principle—the class approach.

In this respect, a comparison of Torgsin with the state rationing system of the same period may be useful. The hierarchy of rations lacked the class approach, too. The axiomatic homogeneous Marxist classes did not exist in the state rationing system. Workers, peasants, and intellectuals were divided and subdivided into numerous groups and subgroups that were shuffled and united into new groups on the basis of whether they were occupied in industrial production and to what extent. Except for a tiny group of the Soviet elite (party, state, military, intellectual, and artistic), which also was of different "class" backgrounds, the best rations were assigned to engineers and workers at leading industrial enterprises. Workers occupied in nonindustrial enterprises received worse rations, while prices were higher than for the industrial cadres.[48] Their supplies were worse even than those of children in the industrial centers. In accordance with the principle of industrial importance, by the end of the first five-year plan, even disfranchised forced laborers—if they worked at a leading industrial enterprise like Magnitka—in accordance with government decrees had to receive the same rations as non-prison industrial laborers at the enterprise. Thus the decrees equated the rationed supply of the "socially alien," "socially dangerous," and declassed outlaws to that of privileged industrial cadres.[49] Despite the fact that peasants contributed to industrialization but because they were not involved in the industrial production directly, they could count only on symbolic state supplies and only if they fulfilled state procurement quotas. Peasant supplies were hierarchical, too, depending on the commodity specialization of their collective farms and ultimately on how important their produce was for the needs of industrialization. Grain and cotton producers had priority.

In Torgsin, as in the rationing system, the Marxist class approach gave way to practical gain, to the "industrial pragmatism" that held the interests of industrial development above all else. Pragmatism bordered on cynicism: anyone could bring gold to Torgsin for the needs of industrialization, but state rations were assigned only to those whom the government considered useful to feed.

According to the Sovnarkom resolution that endorsed Torgsin's operations with household gold, Torgsin had to sell gold to Gosbank at the same price for a gram of purity that it paid the general population. This fact is important for us because it shows that Torgsin was just a means for the state to pump gold from private pockets into the state treasury. Torgsin did not work for itself. It could not profit from its gold operations. It was the state that received gold in exchange for dubious paper receipts, made people pay exorbitant prices for Torgsin's goods, and thus got back with interest whatever it paid the people for their valuables. The brilliance of the idea was that the state received hard currency and gold without exporting goods abroad. Besides, the goods were often of questionable quality.

The government aimed to provide preferential terms for Torgsin. Its operations were exempt from all state and local taxes and fees. The local party, OGPU, Narkomfin, and Gosbank authorities had to assist the expansion of Torgsin's trade in every way, as the special directive signed by Stalin demanded.

The previously mentioned commission of the Politburo composed of heads of the "hard-currency institutions" defined the territories of Torgsin's activity.[50] In addition to the European part of the USSR, where the network of torgsins already existed, the decree named almost all the large cities of the Far East, Siberia, the Urals, Kazakhstan, Central Asia, and Transcaucasia. Torgsin had to embrace the urban and rural populations of the whole country. However, there were territories where Torgsin's trade was initially prohibited: the gold mining enterprises and their vicinities.[51] The ban was understandable: Torgsin could stimulate theft at the gold mines and industries. Torgsin's goal was to take away people's valuables, while the purchase of gold from the prospectors was under the jurisdiction of the Glavtsvetmetzoloto, which had the means to define the exact locations from which gold was extracted, to prevent its theft from the state.[52] Torgsin also could not buy gold in the areas that bordered foreign countries, because the OGPU was the authority there.

However, let's return to Efrem Vladimirovich Kurliand. Two factors support his claim to authorship of the idea to sell food and goods in exchange for household gold in Torgsin. The first is the witnesses he named in his letter, including "a member of the Orgburo and organizer of Torgsin," I. Shuliapin; the vice president of the Torgsin Board, V. K. Zhdanov; and the head of the EKU OGPU Currency Section, G. Ia. Geliarov.[53] The second is that Narkomvneshtorg supported his request for recognition. Torgsin's archive preserves a letter from the commissariat in

which Kurliand is named as the author of the idea and "the actual fighter to implement this idea into life."[54] Kurliand's official position as director of a large Moscow store allowed him to reach Torgsin's bosses.[55] However, no matter how good the idea was, it would not have been implemented if it had not worked in the same direction as the Politburo's search for gold.

Kurliand's letter and the correspondence related to it are important not only because they allow the name of one more person in history to be snatched from oblivion, but also because they show how surprisingly hard it was for this golden idea to overcome bureaucratic obstacles despite its importance for the state. It took months from the moment Kurliand made his proposal in March to the Politburo's decision in November 1931 to accept household gold in Torgsin. Add another month before the Sovnarkom formal resolution was issued and operations actually began in December. The government's feverish search for gold and hard-currency so vital to the industrial development of the country coexisted in reality with the sluggishness of practical implementation, the result of red tape and the conflicting interests of governmental administrations.

One more issue in the Kurliand case deserves attention. Was it by accident that the idea of selling goods in exchange for household gold was formulated by a salesperson rather than a state bureaucrat or a political leader? Probably not. For Soviet state and party authorities of the revolutionary era, such categories as commodity, market, and profit belonged to a different world—one that, in their opinion, was doomed. Marxist political economy taught them this approach, while the experiences of revolution and civil war created a habit of relying on force and a conviction that violence is a shortcut to a goal. The mentality of salespeople relied on different principles—counting money, thinking about profits, being flexible every day. Only after being driven into a stalemate by the utopian ideas of Marxist political economy and the escalation of violence did the Bolshevik leaders begin to act in accordance with economic reality. As a result, "red attacks on capital" alternated with market and semimarket reforms.[56]

Torgsin is the best evidence of this statement. It was a denial of the political economy of socialism an example of a large-scale entrepreneurial activity in which the Soviet state acted as a capitalist. The antimarket policy of Stalin's leadership became a commonplace in the historiography. In the Torgsin case, however, the state, in the grip of a currency crisis and pushed by the needs of industrialization, took an active part in expanding the legal market and hard-currency operations. Thus the expansion of the market in the Soviet planned economy,

however limited, was the result not only of grassroots activities but also the actions of the state. In the Soviet economy, any private entrepreneurship associated with large profit was considered an economic crime called speculation. In this sense, the Soviet state acted as the main speculator in Torgsin, while Torgsin was a large-scale economic crime.

Torgsin, in its way, marked the return of the legal hard-currency market in the USSR. During the first half of the 1930s, in contrast to the currency market of the NEP, the leadership of the country allowed people to use gold and foreign currency as a means of payment, although the operations were limited to Torgsin and camouflaged by the exchange of people's valuables for its money. In many other respects, however, the hard-currency operations of the first half of the 1930s were more restricted than during the NEP. Indeed, by opening Torgsin, the government confirmed the right of Soviet people to have foreign currency, gold coins, and other valuables in their possession without limitation. However, no one could purchase gold coins or foreign currency on the stock exchanges, as people had been able to do during the first half of the 1920s. Nor did the government revive its currency interventions of the NEP period, which imitated market mechanisms and allowed people to accumulate currency and gold coins at the expense of state reserves. In other words, during Torgsin's existence, in comparison with the NEP, people had fewer legal opportunities to replenish their currency savings. Money transfers from abroad represented practically the only legal source for such replenishment.

During the existence of the legal hard-currency market under the NEP, Gosbank bought gold coins worth about twenty-eight million rubles from the population, while it sold to the population gold coins worth sixty million rubles (table 1). That means that more than thirty million rubles (at nominal value) of gold coins migrated from the Gosbank vaults into private possession. This amount may well have been higher, because not only Gosbank but also Narkomfin sold gold coins to the population.[57] The tsarist gold coins were stashed away and hoarded, mostly by peasants and nepmen (private entrepreneurs of the NEP era).[58] In contrast to the legal hard-currency market of the NEP period, Torgsin worked to exhaust people's currency savings. The mass famine of 1932–1933 helped. During its existence, Torgsin bought from the population tsarist gold coins worth almost forty-five million rubles, thus outperforming Gosbank's purchasing activity under the NEP (table 27). Thanks to Torgsin, the state returned not only the gold that it sold to the population through special

agents during the currency interventions of the 1920s but also some savings from earlier times. Torgsin outperformed Gosbank in buying up household gold as well. While Gosbank bought a little over eleven tons of gold in jewelry, household objects, and scrap (table 1) from the population beginning in 1921 and through the winter of 1928, during 1931–1935, Torgsin bought almost six times more—about sixty-four tons (table 11).

The hard-currency market of the 1920s was part of the more extensive market economy of the NEP. In contrast, in the state centralized economy of the 1930s Torgsin was one of few localized legal market oases. The legal hard-currency market of the NEP strengthened the country's monetary system and helped overcome the post–Civil War crisis, while Torgsin flourished as the result of economic instability and acute crisis. It produced revenues by exploiting shortcomings of the state centralized economy.

The hard-currency market of the NEP developed during conditions of a relatively quiet and stable economic and social life, which motivated people to exchange their currency valuables for paper money—the chervonets rubles. The NEP hard-currency market was mainly entrepreneurial, businesslike. In contrast, Torgsin flourished in response to national tragedy. For a majority of people, it became one of the main means of survival. The very existence of Torgsin became possible because the government offered food to hungry citizens in exchange for their valuables.

Finally, whereas the forced industrialization destroyed the legal hard-currency market of the NEP, it gave birth to Torgsin.

Chapter 3

The Torgsin Empire

The true history of Torgsin started when it opened its doors to Soviet customers. Hundreds of new stores opened, spreading out to distant territories. Torgsin's trade volumes grew, its functions multiplied, and the assortment of valuables that it accepted widened. From luxurious stores in big cities to unsightly shops in god-forgotten towns—Torgsin's network webbed the entire country. Torgsin reached abroad as well, calling on foreigners to send currency and order parcels for their relatives in the USSR.

The government's desire for people's valuables only partly explains the lightning rise of Torgsin. Food shortages and, especially, the mass famine of 1932–1933 played a crucial role. Hunger returned after the relatively prosperous years of the NEP. People already lived on lean rations in 1928–1930, when the crop failure of 1931 and 1932, along with growing state procurements, collectivization, and dekulakization brought a death sentence to millions of people. To survive, people brought to Torgsin whatever valuables they had to exchange them for food. Initially Torgsin accepted only foreign currency and gold, but the starved kept bringing silver, diamonds, emeralds, paintings, sculpture . . . as if they were suggesting to the sluggish government other valuables that could be taken from them and turned into machines for the industrial giants. In response, the government, at the end of 1932, allowed Torgsin to accept silver, then, in August 1933, diamonds and other precious stones, as well as platinum. Over time, Torgsin began to accept art and antiques. But let's

not jump ahead. Let's see first how the insignificant trade office turned into the trade empire of Torgsin, whose vastness exceeded even the boundaries of the USSR and whose contribution to industrialization surpassed even the boldest expectations.

In December 1931, Torgsin began to accept household gold from Soviet people in exchange for goods, and within the first few months of its operations achieved stunning results. While in the course of 1931, by serving foreigners, Torgsin acquired valuables for less than seven million rubles, during the first quarter of 1932 alone, it had brought in more than seventy-five million.[1] Only one-third of this amount came from the seaport trade and money transfers from abroad, the rest was provided by the operations with people's gold.

In April 1932, a five-year plan—*piatiletka*—was issued for Torgsin that defined its goals for 1933–1937.[2] Unlike the general plans for national economic development, where the targets aimed higher every year, Torgsin's five-year plan presented a declining curve. The plan's authors expected Torgsin's currency revenues to fall after a short-term rise in 1933–1934. They attributed the rise to "supply difficulties"—that is, famine—and the declining curve to the improvement of life in the USSR. Thus from the very beginning Torgsin's success was envisioned as generated by famine.

The planned decline in Torgsin's activity proves that its founders well understood that the valuable savings of the Soviet people would make up the major source of its revenues. Since these savings were limited and could not be substantially replenished in the 1930s, their depletion would mean the end of Torgsin. Life proved the planned rates of decline to be underestimated. The mass famine resulted in a more rapid depletion of the people's valuable savings. Torgsin's *piatiletka* was the only Soviet five-year plan that was not just fulfilled but fulfilled ahead of schedule. Torgsin not only did not have a second five-year plan; it did not live to see the end of the first one.

According to Torgsin's *piatiletka*, gold in coins, artifacts, bars, or scrap was to play the major role in its revenues. Even at the end of Torgsin's five-year decline and the depletion of the people's valuable savings, gold still had to occupy no less than 60 percent of the total amount of procured valuables. Thus Torgsin's five-year plan de facto confirmed the legitimacy of the private ownership of gold and that having and hoarding gold at home was not considered a crime. No limits were set on the amount of gold that could be in private possession. Moreover, according to the logic of the five-year plan, the more gold people had the better, because they

could then bring more to Torgsin. Although the authors of the plan did not state it directly, the document implied that the OGPU's seizure of people's gold was illegal.

When the operations in household gold started in December 1931, Torgsin had about thirty stores in a few big cities and seaports. By the end of October 1932, Torgsin's network encompassed 257 stores and, by the beginning of 1933, more than 400. Torgsin's network grew not just quantitatively but also into new territories. In March 1932, Torgsin's stores operated in 43 localities, in July in 130, in September in 180, and by the end of October 1932 in 209 localities in the USSR.[3] Yet this was just a beginning. The government planned to have six hundred Torgsin stores by April 1933, but then it increased the number to a thousand.[4] Torgsin overfulfilled even this increased quota. Its network reached its peak in November 1933, when it had 1,526 outlets across the country.[5] This might look like the statistics of success, yet these numbers are full of sadness and tragedy. Behind Torgsin's triumphant growth stood the mass famine.

Torgsin first targeted the biggest cities, which in turn became outposts for its march into the hinterlands. The structure of Torgsin formed together with its geographical expansion. The opening of a torgsin in a big city usually meant the creation of a local office (*kontora*). Thus the opening of a torgsin in Kiev marked the creation of the Kiev office of Torgsin; a store in the city of Kazan′ gave rise to the Kazan′ office of Torgsin. The hierarchy of Torgsin's local offices reflected the hierarchy of the USSR administrative-territorial units according to which local offices were subdivided into city (*gorodskaia kontora*), regional (*oblastnaia*), territorial (*kraevaia*), and republican (*respublikanskaia*) offices. By the spring of 1932, Torgsin had twenty-six local offices; in a year their number grew to thirty-four, reaching forty by 1935.[6]

The most extensive network existed in the USSR's biggest republic—the Russian Federation. Alongside the oldest Moscow, Leningrad, and Northern (Arkhangel′sk) offices of Torgsin, the Ivanovo (Ivanovo-Voznesensk), Western (Smolensk), Voronezh (later renamed the Central Black Earth Zone office), Nizhnii Novgorod (later renamed the Gor′kii office), Lower Volga (Stalingrad), Middle Volga (Samara), Bashkir (Ufa), and Tatar (Kazan′) offices were opened. By the end of 1933, the Kursk, Saratov, and North Caucasus (Rostov-on-Don) offices began their work. In the Far East, the first torgsins opened in the summer of 1931. During 1932, Torgsin's network in this region actively developed, and the number of stores there reached twenty-six. Soon new local offices such as the Primorsk (Vladivostok), Khabarovsk, and Amursk separated from the Far

East local office of Torgsin. Torgsin's network in Siberia began to develop at the beginning of 1932 with the creation of the East Siberian (Irkutsk), and the West Siberian (Novosibirsk) offices. The Ural office opened in Sverdlovsk. In 1933, the new Kirovsk, Cheliabinsk, Orenburg, Omsk, and Iakutsk local offices of Torgsin branched off from the Ural and Siberian offices.

Ukraine was the Soviet republic with the most developed Torgsin network, after the Russian Federation. The Kiev office opened in May, and the Khar′kov office in August 1931. By the autumn, there were eight Torgsin stores in Ukraine, and by the summer of 1932 the new Vinnitsa, Odessa, Dnepropetrovsk, Donetsk (Mariupol′), and Chernigov local offices of Torgsin were formed. They existed until the liquidation of Torgsin in 1936.

In the autumn of 1931, Torgsin's offices opened in Crimea (Simferopol ′) and in Transcaucasia, where the Azerbaijan (Baku), Georgian (Tiflis), Adzharian (Batum), and, at the end of 1933, the Armenian (Erevan) offices were formed. The Belorussian republic office of Torgsin already existed by the summer of 1932, with its headquarters in Minsk. At the beginning of 1932, the government began to discuss the opening of torgsins in the Central Asian republics of the USSR. Torgsin's network in this region actively developed during the summer and autumn of 1932 and in 1933. More offices, in Uzbekistan (Tashkent), Turkmenistan (Ashgabat), Tajikistan (Stalinabad), Kyrgyzstan (Frunze), and the Kara-Kalpakstan (Turtkul′) were opened. The Kazakh office of Torgsin (Alma-Ata) already existed by the summer of 1932, but its rapid growth occurred later, at the end of the year. At the beginning of 1933, the Moldavian office of Torgsin (Tiraspol′) opened.

Thus Torgsin's network covered the immense territory of the Soviet Union from Smolensk in the west to Vladivostok in the Far East, and from Ashgabat in the far south to Arkhangel′sk in the far north. Having been established, Torgsin's network resembled a circulatory system, covering a sixth of the earth's surface: with Moscow as its heart, the blood vessels stretched to the capitals of Torgsin's local offices. Cleanly outlined in the beginning, they branched extensively, turning into a tangled network of microscopic capillaries with their ends lost in small towns and villages whose names were known only to the natives. This organism lived a fevered life, its pulse going from rapid to sluggish and back. Moscow sporadically threw in commodities that, after passing through the complex web of vessels, were absorbed by offices and customers, while in return the system brought to Moscow bags with coins, precious scrap,

diamonds, and packs of multilingual banknotes.

The local offices were headed by managers subordinated to the chairman (*predsedatel'*) of the central Torgsin Board located in Moscow. Over time, the board appointed its representatives to Ukraine (Khar'kov), Transcaucasia (Tiflis), and Central Asia (Tashkent) to supervise the republican offices. The documents show the board's representatives in republics to be rather powerless. They did not have commodities or monetary funds at their command and could not make decisions on operational issues. In practice, only Moscow could make decisions, including everyday operational ones.

The archival documents allow us to see in detail how the opening of Torgsin offices took place. After the Politburo commission defined the major territories of Torgsin's activities, the Moscow board sent out its inspectors. On arrival in a region, the inspectors first went to the local party committee and OGPU office; they also visited the local soviet and a local Gosbank office. These visits were not only intended to inform the local authorities about the beginning of a hard-currency operation in their region but also to gather information about the people's savings and to secure help in finding suitable premises and personnel.

The decision on whether to open a torgsin in this or that town depended on many factors: its proximity to rail or other means of transportation, the presence in the region of supply agencies, and, most of all, grain procurement organizations and oil storage facilities, since flour, groats (*krupa*), and kerosene were Torgsin's best sellers. However, the currency potential of the population served as the overriding condition in decision making. On this matter, the OGPU supplied information—who else would know more about how much gold was hoarded in people's piggy banks?—as did the local Gosbank, which held information about money transactions to the local population from abroad.

To assess the currency potential of the local population, the Torgsin inspectors had to consider how wealthy the local nobles, industrial bourgeoisie, and merchants used to be before the revolution, as well as the number of foreign employees presently working in local enterprises; proximity to the national border; the development of gold mining, especially by individual prospectors; the frequency of money transactions from abroad, and many other factors. The currency potential of the locality could be defined by a rule of thumb based on indirect signs. "There is not a single goldsmith in town," a Torgsin inspector wrote from an Uzbek town, concluding that the local population did not have gold.[7]

The dekulakization of peasants, which began in the course of collectivization on the eve of Torgsin's network development, went against its interests because it was accompanied by the confiscation of the peasants' personal possessions. A Torgsin inspector reporting from the Uzbek town of Chust argued against the opening of a store there because the peasants had just been dekulakized.[8] Based on their assessment of the local currency potential, the inspectors had to determine the approximate quotas for valuables procurement for those regions.

One of the inspectors' reports deserves attention as a detailed assessment of the currency potential of the Soviet Central Asian republics. It was compiled in February 1932, at the very beginning of Torgsin's activity in this region.[9] The inspector selected the most promising cities and listed reasons for his decision: Tashkent—before the revolution the largest commercial and administrative center in Central Asia with a highly paid bureaucracy—under Soviet rule became a magnet for well-off people from other cities and money transfers from abroad. Besides, Afghan merchants were frequent guests there. The initial gold procurement quota designated by the inspector for Tashkent's Torgsin was 270,000 rubles. Bukhara—in prerevolutionary times a place with a "colossal concentration of gold and jewelry" known for its active trade with foreign neighbors—should still have foreign currency. The inspector designated 90,000 rubles as a starting gold procurement quota for Bukhara's torgsin. For Ashgabat—close to Persia and as such involved in contraband trade, as well as a place with large amounts of household gold—the procurement plan was 46,000 rubles. Kokand and Andijan were cotton-growing centers that had, before the revolution, a significant number of wealthy people who, without a doubt, had kept their gold. In the inspector's opinion, Torgsin could count on at least 42,000 rubles in gold there. The inspector expected Samarkand—given its considerable number of wealthy habitants before the revolution and increasing importance of the city under the Soviet rule—to yield 60,000 rubles in valuables. The gold potential of the city of Frunze was rather low due to the lack of foreigners and money transactions from abroad; the gold operations of Torgsin there, in the inspector's assessment, would not bring more than 25,000 rubles. In November 1932, though, another inspector charged with opening the Kyrgyz local office of Torgsin in Frunze refuted the previous opinion, writing: "From conversations with the chief of the local GPU Economic Department I have found out that there are substantial gold savings here and many people are waiting for Torgsin to open because otherwise, they are afraid that these savings can

be confiscated by the GPU."[10]

The inspector considered it not worthwhile to open torgsins in the Uzbek cities of Namangan, Termez, and Fergana or in the Turkmen cities of Kerki and Kushka, because there had not been many wealthy people there in the tsarist period, merchants traded mainly for silver, and, remarkably, "because there were few who would be interested in buying the high-quality commodities" in Torgsin. Another report supported a pessimistic assessment of Turkmenistan. According to its author, "the Turkmens have been, from olden times, poor and exploited people; besides, they have more passion for silver than for gold"; only the Armenians who lived in Turkmenistan were "rather advanced" and engaged in trade. Probably, the author concluded, they would become the main customers of the Turkmen Torgsin.[11]

The currency potential of Tajikistan also appeared dubious to the inspector; the opening of a torgsin in its main city of Stalinabad could be risky, since there were only a couple of dozen foreigners there. One could count on the Soviet population of Stalinabad only to have tsarist and Bukhara gold. However, after all, according to the inspector, everything depended on the assortment of Torgsin's goods. The city of Sarai-Kamar looked more promising, in his opinion, because there were many foreign workers and visiting merchants there.[12]

The inspectors' reports flew to Moscow from all corners of the USSR. An inspector from Kuban′ asked to organize a mobile trade to the Cossack *stanitsa*s (settlements), where people had substantial gold savings from olden times. A Torgsin representative in Ukraine wrote that, during the Civil War and the NEP, the population hoarded a great amount of tsarist gold coins and foreign currency. An inspector reported from East Siberia that the peasant population around the city of Sretensk panned out gold in the abandoned mines and then sold this gold to the Chinese. This way, about thirty kilos of gold leaked abroad every month. Torgsin had to stop the smuggling. The inspector also noted a negative feature of East Siberia: before the revolution, there had not been "a large number of the upper industrial and commercial bourgeoisie, noble estates, aristocracy, high government officials, or a wealthy middle class who were the main holders of household gold, silver, precious stones, and the like, so there was not many of those valuables there."[13]

It should be noted here that in many cities and towns that the inspectors proclaimed to be unpromising torgsins were opened anyway. Moreover, over time, the original criteria—such as prerevolutionary wealth, presence of foreigners, and proximity to borders—stopped being

considered. Torgsins appeared everywhere in more or less significant localities. As a result, over time, and especially during the 1932–1933 mass famine, the appearance of Torgsin changed. It ceased being an elite trade enterprise and an accessory of a few large cities. Now it "scraped the bottom of the barrel" taking all and from all, offering in exchange not luxuries and delicacies but the most basic necessities. In an effort to encompass as much of the population as possible, and as a result of haste, Torgsin opened many unprofitable shops that put a tremendous burden of maintenance costs on the state budget.

The Politburo guarded Torgsin's interests because it worked for industrialization. Politburo meetings on hard-currency issues always included directives on Torgsin. It was the Politburo who made decisions on the assortment of valuables to be accepted by Torgsin.[14] At the Kremlin's order, the press organized a national campaign to explain the importance of Torgsin, while the government issued decrees that obliged the local authorities to assist its work. Thus in April 1932, a CPSU Central Committee directive and a letter from Stalin demanded that local torgsins be provided with premises.[15] The Politburo required goods be shipped to Torgsin out of turn. In August 1932—in anticipation of a famine—the Politburo issued a directive to provide Torgsin with goods in "unlimited quantities." The Politburo prohibited an increase in supplies in other types of internal trade at the expense of Torgsin's stocks. The Politburo supervised relations between Torgsin and industry, from the assortment of goods that Torgsin received (down to the wrapping paper) to the volume of supplies and the delivery times, as well as Torgsin's relations with other currency procuring agencies. The Politburo approved Torgsin's currency plans and its prices. The Politburo made decisions on the imports for Torgsin. In case of trouble, Torgsin's board could access the Politburo via Narkomtorg or in some instances directly in order to pressure those who, on purpose or negligently, hindered its work.[16]

However, Moscow was too far away, and in real life the regional torgsins depended more on the local bosses rather than the ones in Kremlin. The spectrum of local dictators was wide-ranging, from a city party committee to a republic's party Central Committee and a republic's Sovnarkom. The local party, soviet, and OGPU authorities recommended and approved the heads of the local Torgsin offices, authorized the opening of its stores, and were responsible for the fulfillment of Torgsin's currency plans.

Despite the Politburo's patronage, the reaction of the local authorities to the appearance of Torgsin in their "domains" varied. In Turkmenistan,

for instance, the republic's Central Committee of the Communist party and Sovnarkom took the local Torgsin under their wing.[17] But there was resistance as well. Thus in December 1932, the Central Committee of the Communist Party of Tajikistan, by special decree, refused to open Torgsin's stores in the republic. The republic's Sovnarkom responded negatively as well under the pretext of the existence of Tadzhikzoloto (a republican branch of Tsvetmetzoloto) that, among other functions, bought gold from the population. The Tajik Central Committee on its own initiative ordered Tadzhikzoloto to immediately open sales outlets and begin to sell goods for gold and foreign currency.[18]

The Tajik leadership, in fact, replaced the Politburo decision to expand the Torgsin network with its own decree to develop a local organization of Tadzhikzoloto, a relapse to political and economic autonomy. This case is also one of many examples of institutional conflicts. According to Torgsin's representative in Central Asia, one S. Shilov, Tadzhikzoloto hindered the opening of Torgsin's outlets "in fear of losing a certain part of its revenues" and asked the republic's leaders for their patronage. However, Tadzhikzoloto—which at that time had only three stores and accepted neither silver, foreign currency, nor money transactions from abroad—was no match for Torgsin's potential, just as the republic's leadership could not compete with the political power of Moscow. Shilov complained to Narkomtorg, which, in turn, asked the CPSU Central Committee in Moscow for help. Judging by the fact that a Tajik office of Torgsin was created, the Politburo corrected the Tajik comrades.[19]

Rejection of Torgsin at such high levels of authority was rare; however, there are plenty of examples of petty sabotage of Torgsin by local leaders that could be explained by heavy workload, self-interest, or vindictiveness. In exchange for their assistance, the local bosses demanded special privileges from Torgsin, trying to turn it into a source of their own supply, while Torgsin's board, supported by the Politburo, fought against making torgsins into feeding troughs for local party, soviet, and OGPU bosses.

A story of Torgsin's Crimean office is typical and illustrates well the interaction of Moscow's representatives with the local authorities.[20] In the fall of 1931, Torgsin's board sent its inspector, one L.S. Pallei, to organize a headquarters in Simferopol′ and subordinated branches in Feodosiia, Evpatoriia, Sevastopol′, and other cities. Before Pallei arrived, there had been torgsins in the Crimean seaports supervised directly by the Moscow headquarters. Pallei's task was to expand the network and

unite the older outlets under the power of the director of the Crimean Torgsin. Pallei's reports to Moscow sounded reassuring: there were valuables in Crimea. The local party committee named its candidate—a native, Petr Mitrofanovich Novikov, to take the position of the Crimean Torgsin director. Before the appointment, the candidacy was discussed with the local GPU. Novikov, a party member, was born in 1895, in Feodosiia, to the family of a railway worker. He never left Crimea. He graduated from school and became a worker, then, from 1915, served as a sailor in the Black Sea Navy. In January 1917, he joined the Bolsheviks and, as a Red Amy soldier, fought for Soviet power. After the Civil War, he worked in the local Cheka, the predecessor of the OGPU.

At the time, it was common to appoint communists with no professional training and experience to leading economic positions. In Torgsin, party commissars took the key posts, as they did everywhere else in the country. Torgsin's archive shows that all the local office directors and almost all the store directors and their deputies were party members. Since Torgsin directors had to deal with currency valuables, preference was given to those candidates who had worked in the VChK/OGPU—that is, the political police who specialized in the confiscation of people's heirlooms. Lack of education and economic ignorance did not matter because, as the party taught, "there were no fortresses that Bolsheviks could not take." The new Crimean Torgsin director, Comrade Novikov, was a prime example. "He does not know our trade at all," Inspector Pallei wrote to Moscow.

The appointment of party members who were native to the locality as directors served to the advantage of the local bosses while generating many problems for the Moscow board. The native person was more accommodating when asked for favors, and there was no shortage of such requests, given that Torgsin's stock looked truly luxurious during those lean times. The board was fighting, in vain, the routine practice of selling goods from Torgsin to local authorities for Soviet rubles or even giving them away, free of charge, at the demand of local bosses. The board fired the office and store directors caught red-handed in such illegal practices, while the local authorities tried to protect their protégés.

Simultaneously with the creation of the offices and director appointments, the public's attention was mobilized. Advertising was a new matter for the Bolsheviks; however, they understood its commercial importance, at least from their own experience of living under capitalism. The local press and radio informed people about the opening of stores in their towns. Posters appeared in trams, railway stations, post offices,

movie theaters, and local markets, as well as on city kiosks next to theater playbills and daily fresh issues of the party newspaper *Pravda*. Here is one example from Torgsin's Smolensk office (1933). This ad reflects the peculiarities of an emerging Soviet consumer policy and culture, as well as relations between Torgsin and the political police. These issues, however, will be discussed in other chapters. For the moment, it is important to convey the flavor and sensation of the time of Torgsin's birth:

> Everyone! Everyone! Everyone!
>
> A department store is open in the town of Sychevka in the former GORT store.[21] It sells to all citizens food and goods, of any sort and kind, of the highest quality in any quantities. . . . Those citizens who have tsarist gold and silver coins and any gold and silver things [in 1933 Torgsin accepted silver—E.O.] can bring them to Torgsin in unlimited quantities without any fears of being chased; any rumors or talk about people being held responsible for bringing in gold and silver is absolutely groundless, a lie. Household gold and silver, those petit bourgeois whims of olden times, the help of which people used to reach a certain social status in the old everyday life. The Soviet citizen does not need them anymore; these gold and silver things can be exchanged on short notice for the best goods in the Torgsin store.[22]

After the currency potential of a region was assessed, directors appointed, store premises found, and ads posted, the work of torgsins began. Every day brought a myriad of questions to which there were no answers, since the government decrees only drew the general outline of Torgsin, without any specifics. Where were valuables to be accepted: in the store—the place of sale–or in a special, separate room? Who would supply Torgsin's employees with rations?—an issue that, in a time of famine, was of vital importance and caused high turnover among Torgsin's staff. How were currency procurement plans to be filled if supplies were irregular and the quality of goods poor? How could the stores keep perishable food if Torgsin had no refrigerators? Could stores regulate prices depending on consumer demand or was this the central government's prerogative? What measures were to be taken to fight economic crimes such as embezzlement of goods and the forgery of Torgsin's money? Who would safeguard torgsins, the militia or civil guards? The list of questions was endless. Torgsin's local directors had to

work by trial and error. Some took the initiative and made their own decisions, while others looked to Moscow, bothering the board with urgent inquiries on every little issue. There were, of course, talented local managers, but the prevailing unprofessionalism, economic ignorance, and reliance on Moscow contributed to many problems, while dependence on abusive local bosses fed lawlessness.

Torgsin grew to monopolize practically all legal domestic trade operations that dealt with hard-currency valuables, yet it was a small cog in the complex mechanism of the Soviet economy. It depended on a myriad of other organizations and enterprises. Narkomvneshtorg, Torgsin's immediate boss, made and approved its currency procurement plans. Gosbank credited Torgsin, supplied it with cashiers and appraisers, and collected the valuables procured. Narkomfin regulated currency matters. Numerous industries' export departments and the People's Commissariat of Supplies (Narkomsnab) provided Torgsin with goods. The People's Commissariat of Transportation (Narkomput') regulated shipments to Torgsin and ensured their safety, one of the most difficult matters in the Soviet economy of the 1930s. The People's Commissariat of Workers' and Peasants' Inspection (NK RKI, Rabkrin) examined Torgsin's work. Vneshtorgbank received money transfers from abroad for Torgsin. Sovtorgflot used Torgsin services to provide goods for Soviet ships and crews sailing abroad. Torgsin was also in close relations with its "currency partners" and competitors Intourist and Otel'. The OGPU, and its successor the NKVD, interfered with Torgsin's work on many issues, including the shipment of diamonds procured by Torgsin, arrests of hard-currency speculators, surveillance of Torgsin customers in search of gold hoarders, and Torgsin money transactions for Gulag prisoners, just to name a few. The NKID was also involved: Torgsin served foreign diplomats in the Soviet Union.

The interconnections and interdependence of so many organizations were full of confusion, conflicts of interests, resentment, and rivalry, but without these troubled alliances Torgsin could not exist. Torgsin's leaders had to learn how to work not only with the "holders of valuables" and the local party and Soviet bosses but also with the numerous Soviet economic agencies. Despite the myriad of unresolved issues and chaos at the start, the campaign had been launched and was beginning to gain momentum. The people's valuable savings began to stream to the state vaults.

Chapter 4

The Red Directors of Torgsin

The Political Commissar

Why bother knowing who chaired Torgsin? First of all, to snatch people's names from oblivion. Besides, the biographies of Torgsin's chairmen help us understand that Torgsin was a party and state mission. Three persons successively led Torgsin.[1] Their biographies in this book are placed to represent different stages of Torgsin's life cycle: birth, triumph, and decline. The standing of the person whom the Politburo appointed to lead Torgsin serves as a measure of its importance and the expectations of the country's leadership.

All the heads of Torgsin were professional revolutionaries and communists with no or little education, economic knowledge, or experience in commerce. This was the norm of the 1930s: to appoint professional revolutionaries, rather than specialists, as the heads of national economic branches because their first duty was to implement the party's directives. Torgsin's chairmen were to serve as political commissars at the hard-currency trade front. Ideological control over trade was all the more important because this sphere was "contaminated with the prerevolutionary capitalist traders and nepmen of the 1920s," who had continued under Stalin to earn a living by their accustomed métier. Since Torgsin dealt with hard-currency valuables, such biographical facts as experience in living abroad or work in the intelligence and security services gained special importance in considering appointments. All Torgsin's heads were of Jewish descent, but they were brought to Soviet trade by revolution rather than by any

prerevolutionary experience in commerce, where Jews had traditionally occupied a prominent position.

Moisei Izrailevich Shkliar (1897–1974) became Torgsin's first chairman.[2] He was born in Belorussia, in the town of Borisov in Minsk Province. His mother was a housewife, and his father worked at a match factory. In his 1923 autobiography Shkliar referred to his father as an unskilled worker. In the 1933 questionnaire, despite the advantages that a working-class background would have given him, Shkliar defined his own social origin as *meshchanin*—the category that, according to Soviet social identification, meant the petit bourgeoisie. Before the revolution his education was limited to four years of a city technical school (*uchilishche*). Soviet power gave him a political education: in 1925–1927, Shkliar studied Marxism-Leninism at the Communist Academy; later, in 1948, he became a student of the University of Marxism-Leninism in Moscow.

Against the backdrop of the grandiose époque of the early twentieth century, Shkliar's life looks colorless. After graduating from school, he was unemployed and earned a living by occasional tutoring. Then, in 1916, he settled in the Russian town of Tambov, where "thanks to knowledge of Latin" Shkliar became an assistant in a pharmacy. He did not participate in the revolutionary movement under tsarism because, as he explained it, he "was a teenager." It seems that he missed the February 1917 Revolution as well, though his age was right for that—almost twenty! In March 1917, Shkliar was mobilized by the Provisional Government, but he avoided the front. He served for six months as a private in a reserve infantry regiment in Tambov Province. According to his autobiography, during the months following the February Revolution, Shkliar's career as a political agitator began.

Shkliar, for obvious reasons, claimed that from the beginning of his political career he followed the Bolsheviks. This seems, however, not to be true, because after his demobilization and return to his native Borisov he joined the Jewish Labor Bund. History had changed his party affiliation. In May 1918, Shkliar escaped Borisov, then occupied by the Germans, for Soviet Russia. He volunteered for the Red Army and in October joined the Bolshevik Party. During the Civil War, Shkliar served as a political commissar on the eastern and Turkestan fronts. Judging by his autobiography, he did not do much actual fighting and received no military decorations. Instead he edited frontline newspapers, directed frontline schools, politically instructed Red soldiers, organized congresses of regional soviets. Among his war comrades, as he states in his autobiography, were such important figures as V. V. Kuibyshev and M. V.

Frunze.

Some stories from Shkliar's autobiography beg for special attention. Presumably, in January 1919, he was captured by the Whites while agitating on the front line in the Urals and sentenced to death by being buried alive. He says he survived by a miracle: at the last minute, the Reds appeared and released him. "I re-recruited forty captured Cossacks," he continued in his autobiography, "who then joined Kolchak's army and undermined some of his regiments." In 1920 in Turkestan, as a commissar on a propaganda train, Shkliar distributed revolutionary materials "among the Muslims and Red soldiers."

In 1920, Shkliar wrote to Lenin asking to be recalled from the front to continue his education at the Communist Academy. However, after arriving in Moscow, he changed his plan because, as he says, "he got involved in party work." He began to edit *Life of Nationalities*, a publication of the People's Commissariat of Nationalities (Narkomnats) and taught at party schools.

In the fall of 1920, Shkliar, "due to fatigue and illness," went to work at . . . VChK—the political police, where he was in charge of the "literary and political analysis of materials" and the creation of party schools. For several years, he also served as a secretary of the VChK party cell. After a short break to study at the Communist Academy, Shkliar returned to the political police, now renamed the OGPU, where he worked until 1929. It is hard to say exactly what his duties were at that time. His personal file indicates nebulous "various leadership work." In his 1923 autobiography, Shkliar named the well-known political figures F. E. Dzerzhinskii, I.K. Ksenofontov, V. R. Menzhinskii, I. S. Unshlikht, Ia. Kh. Peters, and G. G. Iagoda, as his OGPU colleagues.

Shkliar left the OGPU to work in the national economy, but he did not lose contact with the political police. He became head of the Kreditburo. In the early 1930s, the OGPU, with the Politburo's approval, collected foreign insurance policies and inheritance documents from Soviet citizens under the guise of the Kreditburo to make claims on their behalf abroad. If the claims were satisfied, the OGPU took a quarter of the gain, while the Soviet owners of policies and inheritances could spend the remainder of the sum in Torgsin. The Kreditburo also assisted Soviet citizens who sought to pull currency out of their foreign bank accounts, obviously also at the loss of a considerable sum to the state.

The Kreditburo left a trace in the archive of the US embassy, in the memo of a conversation with a Berlin bank representative.[3] Although the memo had already been classified, the name of the banker was still listed

as “Mr. X.” “Mr. X” said that during the period from 1925 to 1930, when trips out of the USSR were relatively easy, Soviet citizens opened accounts at his bank in Berlin. They asked to keep the information on their deposits confidential, however, and under no circumstances to try to find them at their residential addresses in the USSR. According to “Mr. X,” the bank observed these terms. Even so, it soon received, through the Kreditburo, a series of notarized requests from its Soviet clients to transfer money to their accounts in the USSR. The Berlin bank had no doubt that the Soviet citizens were acting under OGPU pressure and, if the money were transferred to the USSR, the owners would not see it. The bank rejected the Kreditburo requests. It remained a mystery to the Berlin bank how the Soviet authorities acquired the account numbers of its Soviet clients.

What is most striking about this story is the irony of fate. According to the memo, the requests to transfer money to the USSR came in 1933. The terrible famine, rather than the OGPU, forced people to disclose information about their foreign bank accounts. They counted on spending their savings at Torgsin even if they had to pay a rather large amount to the state for the service provided, but they were trapped by their own terms of agreement with the bank. Furthermore, people did not realize that the Kreditburo, which presented itself as a state aid organization, was in fact an OGPU enterprise that delivered information about their foreign currency savings directly to the political police, which was charged with the confiscation of valuables and repressions. People not only did not receive their money but were now under close OGPU surveillance. The only beneficiary was the Berlin bank that kept Soviet people’s savings.

The story told by the Berlin banker took place after Shkliar left the Kreditburo. From there, he went to work first as head of the Moscow trade organization (Mosgostorg), then as Torgsin’s chairman. Starting his work at Torgsin in January 1931, during its foreigners-only-period, Shkliar left his position in October 1932, on the eve of the mass famine in the USSR. His chairmanship came at the time of Torgsin’s transformation from a small bureau into an All-Union network. Shkliar oversaw a decisive expansion of Torgsin’s mandate: Soviet people were allowed to shop there, and the operations with household gold began.

Shkliar left Torgsin without honor. N. A. Korolev, the head of the Special Section (political police supervision) of Torgsin’s Moscow region office, mentioned Shkliar in his report as one of those who had committed large embezzlements.[4] Further evidence of Shkliar’s expulsion is his obvious demotion: after Torgsin, Shkliar was put in charge of

livestock procurement on the Lower Volga, after which, until the spring of 1936, he served as a Narkomtorg representative in the Ivanovo region and Belorussia. Another possible reason for Shkliar's expulsion was that the scale of his personality fell short of Torgsin's grandiose growth. The mass famine that began around the time of Shkliar's departure provided Torgsin with a chance to procure mountains of valuables. For such a task, Torgsin needed a leader with more organizational experience. Torgsin had outgrown Shkliar.

During the 1937–1938 mass repressions, Shkliar's acquaintance with Iagoda—as well as his Bund membership, which he openly listed in his party documents—would have been sufficient for him to be arrested and shot. But life was kind to him. Shkliar waited out the mass repression in China, where he worked from May 1936 until January 1939 as a Sovsin ′torg director.[5] His remoteness from the epicenter of the tragic events, his rather insignificant post, or maybe just pure luck saved Shkliar. He spent most of World War II as a Sovsin′torg official, safe in Alma-Ata (Kazakhstan). At the end of the war, he went to work in Narkomvneshtorg's Currency Department and finished his career in that lucrative post. The awards he received from the Soviet government included a medal "For Valiant Labor in the Great Patriotic War, 1941–1945" and "In Celebration of Moscow's Eight Hundredth Anniversary." A pensioner, Shkliar died of old age in 1974, in blissful ignorance about the forthcoming end of the Soviet Union.

Chapter 5

Why Did Stalin Need Torgsin?

Russia was a wealthy empire. On the eve of World War I, the Russian State Bank had gold worth about 1.7 billion rubles (table 2)[1]—that is, around thirteen hundred tons of pure gold.[2] According to some contemporary specialists, it was the largest gold reserve in any central bank in the world, while others believed it second only to the Bank of France.[3] Before the Bolsheviks came to power, a part of the Russian gold treasury, worth 643.4 million rubles, was sent abroad by the imperial and Provisional governments to secure war credits.[4] Approximately 240 million rubles in gold were spent, stolen, or lost during the Civil War.[5] Regardless, the gold from the treasury of the Russian Empire in the hands of the Soviet government remained impressive—some eight hundred tons of pure gold worth about a billion rubles.[6]

By the early 1920s, however, almost nothing remained of this impressive gold reserve (table 2). Where did the tons of imperial gold go? In accordance with the Treaty of Brest-Litovsk, Soviet Russia paid Germany over 120 million rubles in gold. Soviet payments to its Baltic neighbors based on the 1920s friendship agreements and the contribution to Poland mandated by the 1920 peace treaty exceeded thirty million rubles in gold. Gratuitous financial aid to Turkey in 1920–1921 accounted for another 16.5 million rubles in gold.[7] Most of the remaining imperial gold reserve was sold abroad between 1920 and 1922: given the dearth of exports and the difficulty of obtaining credits, the Soviet leadership used

imperial gold to pay for the import of essential goods and provisions. Moreover, enormous resources went toward the promotion of the world revolution.

According to the US Senate commission that in 1925 investigated the Soviet export of precious metals, from 1920 to 1922 Soviet Russia sold abroad gold worth at least 680 million rubles.[8] The "Report on the Gold Reserve," prepared on Lenin's order by an STO special commission, proves this estimate to be close to reality. The report shows that as of February 1 1922, the State Precious Metals and Gems Repository (Gokhran) held gold worth only about 217.9 million rubles (Romanian gold included), with unfulfilled obligations that had to be paid in gold amounting to almost 103 million rubles.[9] That was all that remained of the Russian Empire's billion-ruble gold treasury that ended up in Bolshevik hands after the Civil War.

Industrialization, especially of the Soviet type characterized by the hyper-trophic development of heavy and military industries, is an extremely expensive project. The USSR had to build enterprises from scratch, buy machinery, industrial materials, and technology abroad and pay for the knowledge of foreign specialists. Despite the class hatred of capitalism, the Bolshevik leaders did not hide their admiration for the technical achievements of the West. Definitely, there was a belief among them that Western technologies freed from the "chaotic functioning of the market and combined with a planned economy's advantages" would bring about a miracle.

By the mid-1920s, as a result of the monetary reform of the chervonets, confiscation of church and private property, and an expansion of raw materials exports, the Soviet leadership had managed to improve the currency situation, but only slightly.[10] The first attempt at forced industrial development in 1925/26 led to a currency shortage and major new gold sales.[11] With the renewed onslaught of industrialization in 1927, the country's meager gold and currency reserves quickly dwindled (table 3). At the end of 1927, Gosbank warned the government that it was on the verge of breaking the law that stipulated that the state gold and currency reserves could not be less than 25 percent of the circulating paper money. Gosbank and Narkomfin recommended building up reserves of foreign currency and precious metals.[12] The nation's leaders, however, decided not to economize. Although the budget for the 1927/28 fiscal year anticipated a foreign currency deficit, its planned level proved substantially more optimistic than the one achieved in reality.[13]

Soviet foreign trade statistics show the 1927/28 fiscal year as a

beginning of "mad imports." A trade deficit replaced the positive balance of 1926/27. According to customs data, import expenses, in 1927/28, exceeded export earnings by 171 million rubles.[14] Imports were not the only hard-currency expenditure, so the USSR's budget deficit was even more acute than that created by foreign trade. The government covered this currency deficit by selling gold and platinum abroad.[15] The 131.4 million rubles of precious metal and foreign currency reserves left by the end of 1928 were not even enough to cover the foreign trade deficit of the next fiscal year (table 3).

The Soviet leadership started industrialization under relatively favorable world market conditions and expected to be able to finance industrial development with earnings from Russia's traditional food and raw material exports—above all, grain, lumber, and oil. However, in 1929, an economic crisis shook the world. Countries substantially cut their foreign trade and introduced sanctions against the commercial expansion of others in an attempt to protect their national economies. World prices of raw materials and agricultural produce fell drastically. In 1929/30, for instance, according to Gosbank the export prices of grain products (*khleboprodukty*) decreased by 37 percent, timber by 14 percent, flax by 31 percent, fur by 20 percent, and oil by 4 percent.[16]

The situation within the country was troubled as well. At the end of 1927, a grain crisis hit: peasants refused to sell their produce to the state due to the unfavorable prices. The unwillingness of the Soviet leadership to significantly increase procurement prices because, in its opinion, it would have slowed down industrialization led to a recurrence of the grain crisis in 1928. To suppress peasant resistance to state procurements the country's leadership, from the end of 1927, initiated repression, and in 1929 the forced collectivization of peasant households began. Collectivization destroyed the peasant economy. Agricultural production dropped: the country was losing its export resources. Thus Stalin's leadership attempted to perform a tremendous task—to increase the pace of industrialization while fighting on two fronts: within the country against the peasants and outside it against the unfavorable world market conjuncture.

In an extremely unfavorable market situation, the USSR had been increasing the volume of agricultural exports at the expense of worsening domestic food shortages, yet export revenues had not kept up with the soaring currency expenditures of industrial imports.[17] Even the officially published customs statistics show a USSR trade deficit (table 4). There are, however, reasons to believe that the customs export statistics are inflated

to cover losses that the USSR bore because of the global crisis. The Soviet archives preserve Gosplan's data on export earnings for the period from 1928/29 to 1935 and Gosbank's data on the fulfillment of currency plans by Soviet export organizations. The data testify to a sharper annual decline in export revenues than the published customs statistics suggest (table 5).

The export revenues calculated in the prices of the relatively good year 1928/29 (table 5) indicate how much currency Soviet leaders expected to receive if global prices had remained at the 1928/29 level. In this case, as the data suggest, increasing physical volumes of exports would have led to substantial growth in currency earnings. However, the real export revenues, according to Gosplan and Gosbank, reached only a half or even a third of the expected earnings. In 1929/30, export revenues fell 125–158 million gold rubles below those expected; in 1931–1933, the annual shortfall was about 600–700 million. In those years, the USSR sold grain to the world at a half or even a third of the 1928/29 price, while millions of its own citizens died of starvation. The ratio between real export revenues (table 5) and import spending (table 4) indicates that, from the start of forced industrialization up until 1933, each year saw a external trade deficit, a trend that reached its climax in 1931.[18] However, the deficit in 1931 was not 294 million rubles as the customs statistics suggest but 430–460 million gold rubles. Was it an accident, therefore, that Torgsin opened its doors to Soviet citizens exactly in 1931 and started to accept gold that year? After the peak in 1931, the trade deficit together with imports began to decline quickly. According to Rozengol'ts, the people's commissar for external trade, Soviet imports of industrial equipment fell from 600 million rubles in 1931 to 60 million rubles in 1933.[19] The export-import equilibrium was restored by 1933, although the actual foreign trade surplus in that year was much more modest than the published customs statistics indicate: about 27 million rubles instead of the listed 147.5 million rubles (tables 4 and 5).

The foreign currency shortage defined Soviet tactics—to sell for cash and to buy on credit. The country ran deeper into debt. According to a Narkomfin report, on October 1, 1926, the USSR's foreign debt amounted to 420.3 million rubles. By October 1, 1927, it had grown to 663 million.[20] By April 1, 1928, the USSR's foreign debt rose to 781.9 million rubles,[21] while the country's real precious metal and hard-currency reserves were worth only 213 million rubles (table 3). And this was just the beginning of the industrial race. Expenditures on industrial imports grew rapidly in 1929–1930 (table 4). As Stalin admitted, the Soviet debt amounted to 1.4

billion rubles by the end of 1931.[22] In the early 1930s, the lion's share of Soviet foreign debt was owed to Germany.[23] Besides Germany, the USSR also owed money to Poland, the United States, Italy, France, Norway, Sweden, Great Britain, and others.

To pay these debts, the Soviet Union sold precious metals, primarily gold. According to Gosbank, in 1926/27 it sold gold worth more than twenty million rubles.[24] The total amount sold abroad from October 1, 1927, to November 1, 1928, again according to Gosbank, reached 120.3 tons of pure gold (worth more than 155 million rubles).[25] To comprehend the significance of these sales, compare them with Soviet gold mining production—which, in 1927/28, was between twenty-two and twenty-six tons of pure gold—and the country's currency and precious metal reserves that were free of obligations, which by the early fall of 1928 had fallen to 131.4 million rubles (equivalent to about 102 tons of pure gold). In practical terms, the sale of 120 tons of pure gold meant that all the gold mined that year and almost the entire unburdened currency and precious metal reserves had been used.[26] It is not surprising, therefore, that in this year the USSR began to sell the art collections of its national museums.

In the early 1930s, the main route by which Soviet gold traveled to the West was by steamboats to Riga and from there by land to Berlin. The US embassy in Riga closely monitored the gold shipments. Latvian newspapers reported on the dates of the cargos' arrival, the weight of the boxes, and even the route and destination of the gold parcels; these reports served as a major source of information. Proceedings of the US embassy in Riga show that, in 1931, Soviet gold shipments arrived in Riga every two weeks.[27] By 1934, the intervals slightly increased. From 1931 to the end of April 1934, according to the Americans, the USSR shipped gold through Riga worth more than 336 million rubles (more than 260 tons of pure gold; see table 6). The data published by the Soviet trade mission in Germany presents a similar picture (with the exception of 1933; see table 6).[28] According to Rozengol'ts, the amount of gold together with foreign currency that the USSR brought to Germany in 1932 amounted to 110 million rubles, and, in 1933, to 170 million rubles, an equivalent of more than two hundred tons of pure gold! Where did these tons of gold come from? The remains of the Russian Empire's treasury and the meager earnings from Soviet exports accounted for only a part of the gold exported via Riga to the Reichsbank. But if the state gold treasury was empty, there was gold in abundance in the earth's depths. Could the gold-mining industry, in the early 1930s, provide foreign exchange for industrialization?

At the beginning of the twentieth century, the Russian Empire held fourth place in the world's gold production, behind only the Transvaal, the United States, and Australia (table 10). Gold mining in Russia in 1913 amounted to 60.8 tons.[29] By the beginning of World War I, it was in the hands of foreigners; manual labor overwhelmingly dominated the field. The gold industry began to collapse during World War I. The 1917 revolutions and the Civil War finished it off.[30] Private prospectors continued to pan gold on the Siberian rivers, but it was smuggled across the border. By the end of the Civil War, the Bolsheviks had managed to preserve all known gold-bearing lands of the former Russian Empire. During the NEP, gold mining slowly revived, mainly through the efforts of private miners and foreign concessions, who then sold gold to the Soviet state (table 7). By the end of the 1920s, the USSR regained its fourth place in the world's gold production (after South Africa, the United States, and Canada), but it was far below pre–World War I production levels. The gap between Soviet gold mining and that of the three other leading powers remained wide (table 10).

Until 1928, the Soviet leadership spent a lot of gold but paid little attention to its production. As aptly remarked by L. V. Sapogovskaia, in those years the state was not an industrialist but a warehouse keeper, its role being not to develop gold mining but to confiscate and buy up.[31] Despite the state's acute need of gold, the gold mining industry was considered tertiary. Forced industrialization and the shortage of gold and currency associated with it led to the birth of the Soviet gold mining industry. To start, the state took concessions back from foreigners, but that was not enough. In the late summer of 1927, Stalin summoned Aleksandr Pavlovich Serebrovskii, a Bolshevik of "Lenin's guard." Serebrovskii had already distinguished himself in economic work. He had restored the Baku oil industry on orders from Lenin. From the "oil front" Stalin hurled Serebrovskii to the "gold front"[32] by appointing him as chairman of the newly created All-Union Joint-Stock Company Soiuzzoloto.[33] His task was to catch up with and overtake the world's gold mining leaders.

Several important factors determined the rapid development of the USSR's gold mining industry: Stalin's patronage, privileges given to private miners and to the industry as a whole,[34] and the mechanization of the state's gold production. According to official data, in 1928–1931 the state invested five hundred million rubles in the industry. By the beginning of the 1930s, more than half of all operations in the industry were mechanized.[35] US gold mining provided a model for the Soviets. At

the end of 1927, Serebrovskii, as a professor of the Moscow Mining Academy, studied the technology in mines in Alaska, Colorado, and California. He came to the United States again in 1930 to fill, as noted by Stalin, a gap in his knowledge. On this second visit, Serebrovskii accomplished a titanic volume of work, studying bank operations in Boston and Washington; plants in Detroit, St. Louis, Baltimore, and Philadelphia; and mines in Colorado, Nevada, South Dakota, Arizona, California, and Utah. Serebrovskii also recruited specialists.[36]

None of the 1930s annual gold mining plans were accomplished, and apparently they could not have been. The plan directives acted to promote mobilization rather than as realistic targets. However, the production of gold in the USSR grew at a steady rate (table 9). From 1932 on, to supplement the Narkomtiazhprom gold mining industries, which employed non-prison labor, Dal'stroi—the gold mining trust in Kolyma that exploited Gulag prisoners—began to operate.[37] Dal'stroi appeared at almost the same time as Torgsin began to purchase household gold from the population. Such a coincidence is no accident: Dal'stroi and Torgsin were working toward the same goal, to provide gold for industrialization. According to archival data, in 1934 Soviet gold production (non-prison and prison labor combined) surpassed the pre–World War I gold production of the Russian Empire (table 9), although Soviet officials had proclaimed this goal achieved two years earlier.[38]

In an interview with the *New York Times*, Stalin said that in 1933 the USSR mined 82.8 tons of pure gold.[39] This meant that the USSR had surpassed the United States, which in that year produced a bit more than seventy tons, and was catching up with Canada, which in 1933 mined more than ninety tons. Furthermore, according to Soviet official statements, in 1934 the Soviet Union was second only to the world leader, South Africa. These boasts scared the international community: what if the Soviets continued increasing production at this rate and flooded the world market with cheap gold, causing prices to fall? The world seriously expected that, by the end of the 1930s, the USSR would outperform South Africa, whose annual production exceeded three hundred tons of pure gold and by the end of the 1930s came close to the four-hundred-ton mark.[40]

The archival gold mining statistics show, however, that the Soviet leadership jumped the gun. Even in 1935, the Soviet Union lagged behind Canada and the United States in gold mining (tables 9, 10). It took second place evidently only in 1936. However, the Soviet leaders' boasting was not entirely groundless. Stalin's figure for the 1933 gold mining

production—82.8 tons—is close to the total amount of gold mined in 1933 by the non-prison labor enterprises (50.5 tons), plus Dal'stroi (0.8), plus the household gold bought up that year by Torgsin (30 tons) (table 9).[41] If Stalin also added to the 1933 total tsarist coins worth fifteen tons of pure gold, which Torgsin purchased from the population that year, he would "raise" the 1933 Soviet gold "mining" production to almost one hundred tons. What prevented him from doing this was probably that the tsarist gold coins were not immediately melted but were stored in their original form, which did not allow the Soviet government, if the situation demanded, to present them as Soviet gold. The secret of Stalin's 1933 gold mining production figure is that it was achieved largely thanks to the household gold that Soviet people brought to Torgsin to survive the famine.[42]

The time has come to answer the title question: "Why did Stalin need Torgsin?" The analysis of Soviet foreign trade data, foreign debt, gold and currency reserves, and gold production conducted in this chapter shows a direct and tight correlation between the opening of Torgsin and the currency needs of industrialization. The year 1931, when Torgsin began its large-scale operation of buying up gold from the population, marked the high point of industrial imports. The country was deep in debt and had little with which to pay it off: exports had failed to bring in the expected currency earnings, and the gold reserve of the Russian Empire had been exhausted. The acute gold and hard-currency crisis defined the moment when the elite "for foreigners only" Torgsin began to turn into a people's enterprise.

The urgent need for Torgsin was also determined by the fact that the country's gold mining industry had yet to be created. From 1928 on, it had been slowly gaining momentum, failing one annual production plan after another. In 1931–1933, gold production amounted to only about 121 tons of pure gold (table 9), while from 1931 to April 1934 the "gold caravans" from the USSR via Riga to Berlin's banks, even according to the lowest US calculations, shipped about 260 tons of pure gold (based on the Soviet equivalent of the world gold price of 1.29 gold rubles per gram of purity, table 6).

The debts incurred during the initial stage of industrialization in 1928– 1931 took years to pay off (table 6). An urgent need for Torgsin remained until the mid-1930s, a time when the USSR's credit and import dependency on the West sharply decreased. Torgsin's contribution was substantial—nearly one hundred tons of pure gold—in 1931–1935. Gold purchased by Torgsin largely compensated for the squandered imperial

gold treasury and paid for industrial imports in those years.

Torgsin's importance was no secret to its contemporaries. In March 1934, the Latvian newspapers wrote that the cargo shipped from the Soviet Union to Riga was gold melted down from items bought up by the Soviet government through Torgsin's stores, and that this gold was intended to pay for the raw materials and industrial goods purchased from England during the previous year.[43] The US embassy's materials also repeatedly mentioned Torgsin: "During 1931, the Russian authorities had at their disposal large quantities of gold collected from the population through the sale of commodities at the Torgsin stores to the general public for old gold coins, jewelry gold, gold scrap, and natural unminted gold which had been hoarded illegally by the public. The amount of gold collected in this manner was apparently considerable."[44] Another US embassy analyst, puzzled by the discrepancy between the large Soviet gold shipments to Germany and the inadequate industrial gold production, suggested that the additional gold must had been collected from the population or from some other unknown source.[45] German experts believed that in 1933 the Soviet Union had a negative gold balance—that is, there were no gold reserves. However, they added, it was not known how much gold had flowed through Torgsin, and that could change the whole picture.[46]

By the mid-1930s, the Soviet gold mining industry stood firmly on its own feet, the gold and currency crisis was overcome.[47] By creating the modern gold industry, Stalin secured a constant flow of gold to Gosbank's vaults. From that point forward, he had little interest in gold trifles and people's heirlooms.

Part II

People's Treasures

Chapter 6

Gold

Contrary to Marx's predictions, the fate of the first communist state depended not on world revolution but gold. With the beginning of industrialization, the country's leadership went through a gold panic, which reached its apogee in 1931–1932.[1] The Politburo's proceedings preserve signs of the panic: the tightening of the credit policy and control over the Soviet foreign trade organizations' expenses, the decline of nonindustrial imports, the abrupt terminations of technical assistance contracts signed with foreign firms, a severe cut in the hard-currency portion of the salaries paid to Soviet employees working abroad and foreign experts working in the USSR, and then a complete abolition of payments in gold to foreigners.[2] More evidence comes from the OGPU campaigns to seize gold from the population, the Kreditburo operations to collect policies issued by foreign companies and inheritance documents from Soviet citizens to file lawsuits abroad; the opening of currency hotels exclusively for foreigners under the auspices of the OGPU; the replacement of silver coins in circulation with nickel ones;[3] the search for new items to export, which turned into a massive sale of masterpieces from the national museums and libraries;[4] Stalin's patronage of the nascent Soviet gold industry; the birth of Gulag gold production . . . the list could go on. The country had to create the nation's gold reserves from scratch. To do that, the government took whatever it could lay its hands on, without disdain for anything. Torgsin became one of many episodes in the gold panic caused by industrialization and the

state's hard-currency bankruptcy. Gold played a major role in Torgsin's story, providing the lion's share of its revenues.

Torgsin accepted gold in all forms: scrap, jewelry, art and household objects, coins, bullion, sand, nuggets, and even gold containing waste. It was forbidden to take church objects, though, because church property had been nationalized. Church items in private ownership were considered to be stolen from the state and subject to confiscation.[5] This great diversity of gold was to be destroyed in Torgsin. Its appraisers wrenched out gems, mechanisms, enamel, wood, fabric, bone or any other inserts, and smashed nuggets. What remained was a pile of scrap.[6] The set of tools used by Torgsin appraisers speaks for itself: pliers, wire cutters, magnets, watch screwdrivers, rasps, optical glass, shears to cut metal, and finally—anvils, chisels, and hammers.

The issue was not only that gold objects were destroyed. Once separated from their owners, they were freed from the human memories attached to them. Traditional family wishes passed from mother to daughter together with a great-grandmother's jewelry or dear memories of the last prewar carefree birthday evoked by a gold ring, a husband's present marking the occasion, or stories of the heroic deeds of ancestors in bygone wars told in their medals and precious decorations—all vanished in a depersonalized heap of gold scrap. Symbolically, "scrap"—*lom*—became the main category in Torgsin's gold statistics.[7] The other category was *chekan*— tsarist gold coins. In the Gosbank vaults, even this elementary classification was gone. Both *lom* and *chekan* were melted into identical bars. The rich variety of gold's functions was reduced to a single one—a means of payment. The bars were transported to Europe to pay Soviet debts.

In lieu of the prerevolutionary gold objects that disappeared through Torgsin, Narkomtorg flooded the domestic market with Soviet crafts made of *Melchior* (copper-nickel alloy), lightweight silver; synthetic and low-quality gems. This operation, which can be called a mass substitution of wealth, has interesting historical, artistic, and social implications.

The revolution and the nationalization that followed struck a death blow to private wealth, and Torgsin carried on this destruction.[8] Due to its efforts, valuables left in private possession—jewelry, precious household and art objects—were not just confiscated by the state but destroyed. Even if the old regime in Russia were restored one day, it would not be possible to recover the material and artistic valuables and family heirlooms: almost everything that was brought to Torgsin was melted down. All that remained with families was sporadic, isolated relics. Thus,

by seizing valuables by the ton, Torgsin played a significant role in the *étatisation* of what had once been private material wealth, turning it into a form of state property, although not through an act of nationalization. Torgsin also contributed to transforming former wealth into antiques, making what had once been ubiquitous rare and unique. Torgsin facilitated the spread of a new, Soviet type of material prosperity. The mostly cheap crafts with which state industries now flooded the domestic market were sold at inflated prices due solely to the monopolistic position of the producer. As a result of this mass substitution of wealth, society as a whole became poorer.

The revolution destroyed the extreme material inequality of the old society, mainly by eliminating its privileged elite. However, the vestige of a middle class, albeit battered by the revolution, survived through the 1920s. Its status was to some extent based on the material wealth that remained in family ownership.[9] Seizure of these valuables through Torgsin further leveled the society by lowering it into poverty and, in this sense, became another blow against the old middle class. The socialist state had to create its own middle class, whose status would have to be determined by new forms of material prosperity and a new understanding of privileges and wealth.

However, let us return to Torgsin's appraisers. In large cities the appraisers, who normally were Gosbank specialists, worked in separate rooms or buildings. On the periphery, lack of office space meant that the appraisal of valuables took place within stores' salerooms at special desks. Due to the shortages of qualified personnel in the provinces, all functions could be performed by one person—who acted simultaneously as appraiser, store manager, sales clerk, and courier, transporting purchased valuables at his own risk to the nearest Gosbank office miles away, whence the items were sent to Moscow's vaults.

Appraisal was labor intensive and time consuming. Appraisers were forbidden to determine value based solely on the objects' appearance and "a rule of thumb" or to trust the metal purity hallmark stamped on the objects. Metal had to pass a test, during which an appraiser scratched, chopped, sliced, and even cracked the item to determine the authenticity of the metal and its purity.[10] Then the appraiser had to weigh the gold. Instructions prescribed that he carefully calibrate and clean dust off the scales and use only branded weights. It was forbidden—there were plenty of such cases in practice—to use coins, matches, and other items as weights. Before weighing, the appraiser had to remove inserts and mechanisms not made of gold. Even so, the state tried to make use of

these elements. Torgsin's executive in Leningrad, for example, advised appraisers "to collect small precious stones and watch mechanisms discarded by the objects' owners because they were in much demand for industry."[11] To appraise placer gold, the appraiser had to pick out any and all suspicious particles (sand, rocks, dirt, alien metals). If the impurity could not be easily removed, the appraiser had to make deductions for "dirt," then determine the metal purity and weight. When buying a nugget interspersed with rock, the appraiser had to smash it with a hammer, then grind it in a mortar to remove contamination. Gold bars and coins also had to be cleaned of dirt before weighing.

Torgsin's gold purchasing price was determined based on weight and gold purity. It must be said that even in the case when the integrity of high artistic and historical objects was preserved, their value was determined by metal weight alone. The nongold inserts in these cases were not wrenched out, but the appraiser had to make a rough weight deduction. Torgsin paid 1 ruble 29 kopecks for a gram of pure gold. The tsarist gold coins, if there were no signs of damage, were purchased at face value and the defective ones by weight.[12] To facilitate the appraisers' work, Gosbank prepared tables to calculate prices based on different finesses of gold, but they came out only in 1933. Before that, appraisers had to rely on their own calculations.

If gold was on trial in Torgsin, so were the appraisers, who had to pay out of pocket for their mistakes.[13] "The other day, I realized how complicated the process is," a director of a Leningrad appraisal center said. "An acquaintance of mine asked me to help her skip the queue, so I gave her ring to an appraiser and stayed to see what he would do. He tested the engagement ring, which already had a purity hallmark, in seven places, rubbed it against a stone, and tested it by various other methods."[14] I asked him why he was testing it so excessively, and he replied, "Gosbank threatened us, saying that we were responsible for everything, so we are frightened."[15] In order not to lose gold due to the appraisers' excess of caution, the state made it difficult for them to refuse gold: for that, they could be fined and lose food rations. Even when a large number of fake gold ingots appeared in circulation in 1934, an appraiser could refuse to accept gold only if he was absolutely confident that it was a forgery.[16]

The testing of gold was also a trial for its owners, who were present at the appraisal. One can only imagine the feelings that people endured while watching precious objects being indented, punctured, broken into pieces: the pain of losing family heirlooms, the disappointment if the gold

was low-purity or fake, a fear of being cheated. Not trusting the appraisers, people sometimes took their gold to another torgsin. It did happen that the price estimates of the same object by different appraisers were far apart due to bad scales, lack of weights, or poor-quality reagents. The farther one got from the big cities, the more rough the estimates became due to poor skills and bad tools.

The appraisal instructions attest that the state did not want to lose even a speck of gold due to theft or carelessness. The appraiser's desk had to have raised edges on three sides to prevent wrenched parts from bouncing to the floor, as well as to save gold dust from being lost. The client's side of the desk had to be protected by a glass screen, through which the owners got to watch the work. The right part of the desk had to have slots, each for gold of a certain purity. After accepting a gold object, the appraiser had to drop it into the appropriate slot. After that, he could no longer retrieve the object, because the drawer beneath had to be sealed throughout the workday. The left part of the desk had to have another slot and a sealed drawer underneath to collect "waste": precious stones, metal junk and dust, paper used to wipe reagents, and so on. All sawing of metal had to be done above a special box lined with thick white paper. At the end of the workday, the appraiser was required to collect gold dust that had been dispersed while testing the metal. To do that, he had to sweep all the debris from the table into a special box, brush the gold dust off his work clothes, and even to wash his hands, which also could bear gold dust, in a special sink. The appraiser's desk had to have a glass, metal, or oilcloth cover—that is, material in which not even a tiny speck of gold dust could get stuck—and for the same reason the appraiser had to work in oilcloth armlets.

The gold owners received no payment for gold dust, small precious stones, and other inserts as the state tried to utilize the waste. At the end of the workday, the appraiser had to hand all gold-bearing junk to a store administrator, who in turn had to keep it in a fireproof safe and once every two months take it to Gosbank. In addition, Torgsin's appraisal centers had to submit to Gosbank the paper that covered the appraiser's desktops, lined their drawers, and was used to wipe reagents off the metal, as well as any dilapidated oilcloth armlets. To induce the appraiser to collect gold dust, he was promised a reward—ten rubles for each gram of pure gold extracted from the waste.

The instructions were not followed everywhere and always: not every appraiser had such a desk or even the paper to cover it, but what matters is the state's intent to take everything from the population, down to the

last speck of gold dust. Persistence and threats did their job—gold dust went to Gosbank. In 1933, the surplus from unpaid gold and silver waste brought the state nine million rubles—an equivalent of nearly seven tons of pure gold![17] In the state's pursuit of gold, its appraisers traveled to areas where Torgsin did not have appraisal centers.[18] To reach the most godforsaken corners of the country, Torgsin even hired private agents to buy up gold on its behalf.[19]

Torgsin's appraisal centers were always crowded. The Leningrad Torgsin office, for example, reported: "Our gold appraisal point cannot, within a short working period of eight hours, serve all the people who have come to sell gold. We can't serve more than seventy to eighty people a day, but there are a hundred who come. Many say, 'I won't come again.'"[20] In large cities, to extend the hours, appraisers worked in two shifts, and those people who were not served the day they came had to be served first the next day.[21] The state tried to make appraisers work faster. At Stalin's urging, in the summer of 1933, Torgsin, as well as all other organizations in the country, moved to piece rates. Salaries now depended on the number of clients served. The norms were high: to receive the maximum wage, an appraiser had to serve at least 4,200 clients per month: about 150 people a day! Serve up to a hundred people a day (or twenty-four hundred a month)—not a small load—and an appraiser would receive only the minimum wage. The piecework system hit peripheral appraisers in small towns with a limited number of clients especially hard, essentially condemning them to a minimum wage. In large cities, the pursuit of numbers resulted in many errors caused by haste. During the rationing system of the first half of the 1930s, however, rations rather than salary served as the primary incentive for work. Torgsin's appraisers received a so-called gold ration. It consisted of Torgsin's goods, paid for not in hard currency but in rubles at cooperative prices. In 1933, rations for Torgsin's employers were differentiated based on the number of clients served.

After languishing for hours and sometimes days in line in a crowded and stuffy corridor waiting for their valuables to be appraised, the owners finally received Torgsin money. Its form changed over the years. In its earliest days, Torgsin accepted as means of payment different currency surrogates such as Gosbank traveler's checks and transfer receipts, rubles of hard-currency origin, foreign currency in cash, and foreign bank checks. Then, at the end of 1931, in exchange for their valuables people received commodity orders (*tovarnye ordera Torgsina*), TOT in short. TOTs were not difficult to forge, so in 1933, they were replaced with

personalized booklets with detachable coupons (*imennye tovarnye knizhki*), which were registered by name. When the booklet owner paid for goods in Torgsin, a cashier cut off coupons in the amount of the purchase. Used-up booklets remained in the store and then were destroyed."[22] In 1934, a new type of personal booklets was introduced; now buyers could buy goods only in the store to which they sold their valuables.

The people who brought valuables to Torgsin probably had no idea how much gold, platinum, silver, or diamonds cost on the world market. They measured the prices that Torgsin offered for valuables in terms of food. In other words, people tried to figure out how much flour or sugar they could buy with this money from Torgsin, as well as whether it would be better to deal with Torgsin rather than buy food in the state commercial stores or on the peasant or black market.[23] Given the limited and censored information about world market conditions available to Soviet people, the government could dictate the purchasing prices for valuables in Torgsin with no fear of being accused of cheating. Many decades have passed since then, and it is time to find out whether Torgsin's gold purchasing prices were in accord with the world market gold price of the time and, therefore, whether the exchange of valuables for food and goods in Torgsin was fair.[24]

Although Torgsin did not sell anything abroad, it procured gold and foreign currency by trade, and for that reason the government considered it an export enterprise. As with any other Soviet export organization, Torgsin's prices, both purchasing and retail, were expressed in gold rubles. A Soviet gold ruble did not have a physical form; one could not see or hold it. It was a conventional monetary unit (*uslovnaia raschetnaia edinitsa*), a Soviet analogue of the prerevolutionary gold ruble—a conventional and basic monetary unit of the Russian Empire.[25] The Soviet government also borrowed the imperial exchange rate from before World War I: 1.94 gold rubles per US dollar. This official and artificial exchange rate was used in the USSR until the mid-1930s—that is, throughout Torgsin's existence. The gold ruble was substantially more valuable than a regular ruble. Officially, it was equal to 6.60 rubles of the ordinary Soviet money then circulating.[26]

For their silver, platinum, and diamonds people received from Torgsin significantly less than the world market price. The profits pocketed by the Soviet state after selling these valuables to the world was considerable, especially from diamonds.[27] Owners of gold occupied a better position. According to the Soviet official exchange rate, Torgsin's purchasing price for gold, 1.29 rubles per gram of purity, until February 1934, was a ruble

equivalent of the world gold price.[28] The relatively high purchasing price for gold in Torgsin in comparison with that of silver, platinum, and diamonds attests to the vital importance the Soviet leaders attached to gold in the first half of the 1930s.

However, let's not rush to praise the Soviet government for its honesty. In early 1934, the world gold price changed. A troy ounce of gold was now worth about fifteen dollars more.[29] According to the Soviet official exchange rate, the ruble equivalent of the new world gold price had to be 2.18 rubles per gram of purity.[30] Torgsin, however, continued to buy gold from the population at the old price of 1.29 rubles. Thus, during 1934 and 1935, Torgsin's payment to people for every gram of pure gold was eighty-nine kopecks short. Given that Torgsin bought about thirty-three tons of pure gold from the population in those years, the underpayment due to the low price alone constituted about thirty million gold rubles, or, according to the Soviet official exchange rate, about fifteen million US dollars!

One should not also forget that the Soviet government had adopted the exchange rate between the dollar and the gold ruble from the completely different conditions of the prewar economy of the Russian Empire. In the economic life of the Soviet 1930s, rife with acute shortages and inflation, this exchange rate was highly artificial. It had nothing to do with the actual purchasing power of the ruble and the dollar.[31] According to American engineers who worked in the USSR, the purchasing capacity of the ruble in the early 1930s equaled only 4–10 cents, meaning that a dollar was worth not 1.94 rubles but somewhere between 10 and 25 rubles.[32] Based on this more plausible ruble-dollar relation, the owners of gold should have received from Torgsin not 1.29 rubles per gram of purity but somewhere between 6.65 and 16.62 gold rubles. Given that Torgsin, over the course of its existence, bought from the population close to 100 tons of pure gold, the underpayment due to the artificially low dollar-ruble exchange rate reaches an astronomical figure—from over half a million to over one and a half billion gold rubles!

In assessing the adequacy of Torgsin's goods for gold exchange, one must also consider many other factors. The so-called Torgsin gold rubles were in fact just pieces of paper. Legally it was not possible to exchange Torgsin's rubles back into gold, foreign currency, or other valuables. This could be done only on the black market, but the operation was considered an economic crime. Outside the USSR, Torgsin's gold rubles were of no use, except to a collector of rare paper money. Torgsin's gold rubles circulated in a very limited environment—within Torgsin and on the

black market that surrounded its operations. Torgsin's gold rubles had value only because the Soviet government guaranteed, for a very short period of time, the right to purchase food and goods with this money. If, one rainy morning, the Soviet government announced that Torgsin was a creation of enemies of the people, who in fact had already been shot, in an instant its gold rubles would turn into nothing but useless scraps of paper. Thus, in exchange for real valuables, Soviet people received dubious paper coupons guaranteed solely by the criminal Stalinist leadership. In these circumstances, the population's only protection against complete deception was the state's vital need for people's gold.

Torgsin's money had an expiration date, after which the owners, if they had not had the date extended, could do nothing but toss the money into a garbage can. If a store was out of flour, groats, or sugar—the goods in the highest demand and the shortest supply during the famine—and the money was about to expire, the owners had to take whatever was available at that moment in the store. Forced package deals were another widespread practice: to get a precious bag of flour, people also had to take a useless pioneer's bugle or the bust of a party member. Selling gold to Torgsin, therefore, did not guarantee the purchase of the desired food and goods. People's choices were limited, and sometimes they simply could not buy the things for which they had sacrificed their family heirlooms.

In discussing the nonequivalence of Torgsin's food for gold exchange, one also has to take into account that people could spend Torgsin's money only in its stores, so they had to buy at monopolistic retail prices dictated by the state. The state made full use of its price monopoly and consumer "hunger." Torgsin sold goods and food to Soviet people at prices, on average, 3.3 times higher than Soviet export prices on the same goods sold abroad.[33] During the famine of 1933, "bread products" cost five times more in Torgsin than the Soviet export price. It was especially *economically* unprofitable for the people to exchange gold for food in Torgsin during the winter and early spring of 1933—the apogee of both mass famine and Torgsin food prices. However, this was exactly the time when people brought the lion's share of their gold savings to Torgsin.

Torgsin did sell antiques and delicacies, although mainly through its elite stores in big cities, but its main offerings consisted of simple essentials, such as flour, bread, groats, and sugar. Moreover, Soviet people paid with gold at inflated prices, not just for basic necessities but often for goods of dubious quality. The board admitted in its final report that Torgsin, in total, sold nonexportable (poor-quality) goods worth about forty million rubles.[34] This figure is obviously too low, given the bad state

of transportation, lack of refrigeration, and the most serious problem of the planned economy—*beskhoziaistvennost'* (mismanagement). Torgsin's documents are replete with descriptions of spoiled foods and poor-quality goods. The share of imported goods in Torgsin was negligible (table 25), while the bulk was supplied by domestic producers. Most of Torgsin's goods could not be sold abroad at the prices paid by Soviet people, if they could be sold at all.

Torgsin's depressed purchasing prices for valuables, inflated retail prices for food and goods, poor assortment and quality of goods, as well as the artificiality of the official foreign exchange rate and the ruble's low purchasing capacity vis-a-vis the dollar allow us to conclude that the Soviet people did not receive goods and services commensurate with the amount of gold submitted to Torgsin. Buying in Torgsin in exchange for silver, platinum, and diamonds was even less economically beneficial to customers because of the less favorable prices that Torgsin paid for these valuables in comparison with gold.

How much gold did people bring to Torgsin? The gold purchasing operations began slowly in 1931 and then developed at lightning speed. In the first month of 1932, Torgsin bought only ninety kilograms of pure gold. By the summer its *monthly* purchases exceeded one ton, and for October exceeded two tons of pure gold. Torgsin's authority to identify gold purchasing prospects clearly did not keep up with mass starvation and the pace at which people brought valuables to Torgsin. In 1932, Torgsin bought from the population gold worth more than 26.8 million rubles, thus exceeding the planned quota by almost 6 million rubles. Torgsin overfulfilled the plan for both scrap (household gold) and coins, but scrap was the leader: it brought in 19 million, while coins provided 7.8 million rubles (table 11).

The ratio between scrap and coins reflects an interesting social phenomenon. According to Torgsin's analysts, tsarist gold coins came to Torgsin mainly from peasants, while scrap mostly indicated the involvement of an urban population.[35] This conclusion, probably based on practical observations, is confirmed by a comparative analysis of Torgsin's gold operations in the predominantly urban Leningrad region (Northwestern office)[36] and the overwhelmingly peasant Smolensk region (Western office), which demonstrates a sharp predominance—almost threefold—of scrap over coins in the Leningrad Torgsin and a dominance of coins over scrap in the Smolensk branch (table 12).[37]

The juxtaposition "scrap gold—city" and "tsarist coins—countryside" is, of course, relative, because peasants also brought gold jewelry and

objects to Torgsin while urban dwellers hoarded tsarist coins. But nevertheless it reflects a general trend in Torgsin's social development: although the coins' share of Torgsin's gold purchases does not indicate an exact amount of "peasant gold," there is no doubt that an increase of coins' inflow to Torgsin reflects growing peasant involvement. Looking at the 1932 ratio between gold scrap (19 million rubles) and gold coins (7.8 million rubles) purchased by Torgsin, one could say that in that year it still remained largely an urban enterprise. Peasants were not yet much aware of Torgsin's operations.

In 1932, Torgsin's Moscow office was the absolute leader. During the first nine months of the year it procured gold worth 4.6 million rubles (about 3.6 tons of pure gold). This covered more than a quarter of Torgsin's gold purchases during this period (17.2 million rubles). Torgsin's Leningrad office, during the same period, bought 2 million rubles of gold, taking second place, and the Ukrainian Khar'kov office (1.5 million rubles) came in third. In total, Ukraine provided more than a fifth of all gold purchased by Torgsin during the first nine months of 1932.[38] Also performing well in gold operations were the North Caucasus, Transcaucasia, and Central Black Earth branches of Torgsin.

The 1932 gold operations already reflected the geography of mass famine to some degree in the high achievements of the Ukrainian offices and the record gold purchasing figures for the hungriest months—April, May, and June.[39] However, the uneven development of Torgsin's network still had a significant impact on the 1932 performance of its regional branches. The oldest offices, in Moscow, Leningrad, and Ukraine, with a well-developed network were ahead, while the new branches in formation lagged behind. In total, Torgsin purchased nearly twenty-one tons of pure gold in 1932, which equaled more than half of the industrial gold production of that year (tables 9 and 11).

The second consecutive bad harvest and the continuing destruction of the peasant economy during collectivization promised mountains of gold to Torgsin in 1933. Encouraged by the prospect, the Soviet leaders more than doubled, in comparison with the previous year, Torgsin's plan quotas for 1933 (table 11). Torgsin had to buy gold worth forty-eight million rubles, providing for almost 40 percent of the 1933 overall procurement plan, which included all types of valuables.

By setting such a high target for Torgsin, the government was admitting that it would not undertake measures to ease the food situation in the country and that it would use the mass famine to extract the people's valuable savings. The very fact that, according to the 1933 plan,

Torgsin was to buy almost four times as many tsarist coins as in 1932 (table 11) indicates that the government expected peasants to flock to Torgsin en masse. The Soviet leaders were also aware of which regions would be starving. According to the 1933 plan, Ukraine had to procure valuables worth twenty-eight million rubles, almost as much as elite Moscow (twenty-nine million rubles) with its high currency potential as the country's capital. Even the Leningrad Torgsin office, second largest after Moscow, had to purchase a bit over half as much (fifteen million rubles) as Ukraine. High procurement plans were also assigned to the North Caucasus, Transcaucasia, and Belorussian branches of Torgsin.[40]

Reality exceeded the worst expectations: peasants were dying, and the urban population lived in semi-starvation. The year 1933 became a star moment for Torgsin, its mournful triumph. In that year, people brought to Torgsin gold worth fifty-eight million rubles, thus overfulfilling the ambitious procurement plan. This was almost forty-five tons of pure gold, more than twice as much as Torgsin bought in 1932, also a year of hunger.[41] In 1933, Torgsin barely fell behind the gold mining industry (table 9) in terms of performance but achieved its results at a much lower cost than the capital-intensive gold industry. Gold accounted for half of the ruble value of precious items bought by Torgsin in 1933 (table 11). Truly, the famine statistics were golden.[42] In 1933, Torgsin bought 2.5 times more tsarist gold coins than in 1932 (table 11); moreover, the rate at which coins reached Torgsin outpaced that of scrap.[43] A Torgsin analyst defined, not without irony, this phenomenon as an "intensified influx of gold coins from the peasant 'underground banks' [*krest'ianskie zemel'nye banki*]."[44] To apply Stalin's famous expression, 1933 became the year of the "Great Break" (*velikii perelom*): peasants went to Torgsin en masse. The government's hopes had come true. In 1933, Torgsin became peasant in nature to a considerable degree. Torgsin's "Great Break" left a mark in Soviet literature. Viktor Astaf'ev, remembering 1933 in his home Siberian village, wrote: "In that year, in that very year, horseless and hungry, peasant men and women appeared on the iced Yenisei river road—with rag bags, carrying personal belongings and gold trifles, if they had them, for exchange in Torgsin."[45]

In 1933, gold scrap, although outpaced by gold coins on the relative increase rate (compared to 1932), nonetheless remained a leader in the absolute growth rate (table 11). Gold scrap accounted for more than a third of all the valuables bought by Torgsin in 1933 (in purchasing prices, table 11). However, it is unlikely that the absolute prevalence of scrap over coins in Torgsin purchases in 1933 directly indicates that cities

outperformed the countryside that year. The amount of tsarist gold coins hoarded by the population was limited and, with the end of the state's currency interventions in the mid-1920s, could not be replenished. The horror of starvation is revealed by the fact that people brought to Torgsin whatever they had—wedding rings, baptismal crosses, earrings. There were not enough tsarist gold coins to save them. The story of Astaf'ev's peasant family again comes to mind. The only gold thing in the house—the earrings of Astaf'ev's mother, who died under tragic circumstances—which had been carefully preserved in his grandma's dower chest in memory or for a rainy day, were brought to Torgsin in that starvation year of 1933.

All the quarters of 1933 show a high delivery of gold to Torgsin; however, April, May, and June—the height of the famine—stand out. In these three months, people brought to Torgsin gold worth more than twenty million rubles—about sixteen tons of pure gold, which is almost as much as in the entire previous year (table 13). The archives have not preserved complete regional data on Torgsin's 1933 gold purchases, but even the fragmented data that are available reflect the geography of the famine. The Ukrainian Torgsin, in 1933, spent 10.6 million rubles on gold purchases, and the prevalence of the gold scrap (5.9 million) over gold coins (4.7 million) was not significant, which implies high peasant involvement with Torgsin.[46] Elite Moscow and dying Ukrainian villages, almost equally, provided a third of the gold purchased by Torgsin in 1933.[47]

With the arrival of a good harvest, the famine retreated, yet Torgsin's gold purchasing plan for 1934 remained high—45.2 million rubles (table 11). The country's leadership, evidently, counted on inertia: those who had starved would store for a rainy day. It is also possible that the government lacked full confidence that the "food difficulties" were over. Besides, as Torgsin documents testify, Narkomtorg hoped to keep the purchases of valuables high by turning torgsins from a "famine enterprise" where the starving grabbed flour, groats, and sugar by the bagful into fashionable department stores.

Torgsin failed to meet its 1934 plan, largely due to the decreased influx of gold (table 11). Its failure to fulfill the gold coins purchasing quota indicates that peasant interest in Torgsin declined more sharply than the government expected, or perhaps the "peasant underground banks" had been exhausted. It seems that in 1934 Torgsin dropped back by one year, returning to the 1932 gold purchasing level. However, whereas in 1932 Torgsin had (depending on the moment) somewhere

between one hundred to four hundred stores around the country, in 1934 it had more than a thousand. Torgsin became unprofitable.[48] In 1934, the government began to reduce its network of stores.

Torgsin's finest hour passed together with the famine. The food situation in the country improved. The government steadily abolished rations, first for bread (January 1, 1935), then for meat, fish, fats, sugar, potatoes (October 1, 1935), and finally for "industrial goods" (January 1, 1936).[49] New grocery and model department stores opened. Their assortment of goods were no worse than that of Torgsin, while their prices were not in gold but in regular Soviet rubles. Compared to the breakneck success of 1933, Torgsin's 1935 currency plan looked modest—forty million rubles. It seems the government had to bury its hopes of turning Torgsin into a fashionable currency enterprise for the Soviet masses. Torgsin's gold purchasing quota for 1935 constituted a mere thirteen million rubles (about ten tons of pure gold)—an obvious underestimation caused by the 1934 failure. Torgsin overfulfilled the plan (table 11), but its liquidation continued. As prescribed by government decree, on November 15, 1935, Torgsin stopped accepting precious metals and gemstones from the population.[50] The hungry passions that had raged around Torgsin died out.

Torgsin's gold harvest did not just meet the expectations of Soviet leaders: it was stunning. According to its final report, in a bit more than four years, Torgsin purchased from the population gold worth 127.1 million rubles (at purchasing prices) or about 98.5 tons of pure gold (table 11). That equaled about 40 percent of the USSR's 1932–1935 gold industrial production (table 9). Gold (at purchasing prices) amounted to almost a half (44 percent) of all the valuables procured by Torgsin during its existence. An analysis of Torgsin's statistics demonstrates that gold played the most crucial role in saving people from starvation: during the 1932–1933 mass famine, gold (in purchasing prices) exceeded half of all the valuables procured by Torgsin. Scrap—jewelry, medals and orders, watches, snuffboxes, dinnerware, and other household items—made up the lion's share of Torgsin's gold, amounting to more than eighty million rubles (at purchasing prices, table 11) or more than sixty tons of pure gold. Gold scrap was indeed Torgsin's major treasure, accounting for two-thirds (65 percent) of all gold and nearly a third (29 percent) of all the valuables purchased by Torgsin. Neither silver nor platinum nor diamonds nor foreign currency played such an important role in Torgsin's history as gold. The tsarist gold coins amounted to about forty-five million rubles (at purchasing prices) or almost thirty-five tons of pure

gold, which is more than a third of all gold bought by Torgsin. This fact by implication testifies to the extent of peasant involvement in Torgsin. The coins' share within all valuables procured by Torgsin is also rather high (16 percent).

Famine was a major factor in Torgsin's success, with the terrible year 1933 leading the gold purchasing campaign (table 11). The piles of gold brought by starving people to Torgsin in that year—turned by the government into machines, turbines, raw materials, and patents—serves as a "monument" to the famine's victims. If Torgsin had begun to purchase gold a year earlier, so that by the beginning of the famine in 1932 it already had a developed network of stores around the country, the results of its gold campaign could have been even more impressive—and who knows how many more lives would have been saved thanks to Torgsin? The fact that the bulk of the gold reached Torgsin in the most difficult year demonstrates that Torgsin, as a mass social phenomenon, was a means of survival while its success stands as an indicator of social disaster. The elite Torgsin of luxuries and delicacies formed only a tiny islet in an ocean of suffering and pain.

To what extent did Torgsin deplete the people's gold savings? Answering this question is hard because it is difficult to say exactly how much gold people initially owned. However, some assumptions are possible, especially in regard to tsarist gold coins.

According to the authors of Torgsin's five-year plan for 1933–1937, at the abolition of the gold standard in Russia during World War I the population still owned tsarist gold coins worth about four hundred million gold rubles.[51] This assumption echoed the calculations of the tsarist and early Soviet financial authorities, who defined the amount of gold coins in people's hands on the eve of World War I at around 460–500 million rubles.[52] Unanimously, the financial experts believed that the tsarist government's attempts to collect this gold at the beginning of World War I by appeals to patriotism and promises of privileges to those who paid with gold had not produced significant results. With the beginning of World War I, the tsarist gold coins quickly disappeared from circulation and settled in "underground banks." "All who have studied this question," wrote Novitzky, "have come to a conclusion that the lion's share of this gold is in peasants' caches and that there is no way to extract this gold from them."[53] In this last statement the former deputy minister of finance proved to be wrong. Stalin's government found a way—famine and Torgsin—to get at the hidden tsarist coins. As this chapter shows, the starving voluntarily brought the gold in.

According to the authors of Torgsin's five-year plan, from the abolition of the gold standard in Russia and to the early 1930s, the state, both imperial and Soviet, seized gold coins worth about two hundred million rubles. Another fifty million rubles in gold coins supposedly were smuggled abroad by various means. "Of the remaining 150 million," the plan presumed, "about 50 million are hidden so safely by those who ran away or died that this gold should be discounted as forever lost." Therefore, according to these calculations, by the beginning of Torgsin's gold purchasing campaign the population kept in their hands tsarist gold coins worth about a hundred million rubles.[54] The planners expected that within five years people would bring in the lion's share of these savings: in the plan, the figure of seventy-six million was corrected by hand to eighty-two million. Did Torgsin's gold harvest prove these expectations justified?

The answer is no. In the four years of its gold campaign, Torgsin bought tsarist gold coins worth less than forty-five million rubles (table 11). About fifty-five million rubles in tsarist gold coins, therefore, are missing. It may mean, if the calculations of "underground savings" were correct, that despite the mass famine the population held on to gold coins and that a substantial amount of tsarist gold remains buried in present-day Russia. However it is hard to imagine that, amid the famine and pestilence that held the country in a death grip for two years, people were thinking of preserving their savings rather than survival. In the first half of the 1930s, the OGPU probably seized some of the missing gold. Taking into account that the hidden gold was dispersed in small individual caches, however, it is unlikely that the political police could have swept up gold coins to the tune of fifty-five million rubles. It mostly and sporadically hunted big hoarders instead of picking up a coin or two. Published data from the OGPU archives support this assumption.[55] Besides, in the midst of starvation people would definitely prefer to exchange gold, if they had it, for food rather than wait until the police seized it. Most likely, Torgsin's planners miscalculated the size of people's "underground savings" in gold coins.[56] They were also mistaken in assuming that tsarist gold coins would dominate Torgsin's gold purchases. Torgsin bought almost twice as much gold scrap as it did coins (table 11). Thus it was mostly simple jewelry and household gold items rather than tsarist coins that saved people and financed industrialization. The substantial amount of personal gold items and family heirlooms procured by Torgsin also indicates that the caches of gold coins had been exhausted.

The extent to which Torgsin cleared people's gold savings of jewelry and household objects (scrap) is even more difficult to assess than the depletion of saved gold coins. The authors of Torgsin's five-year plan speculated that, by the beginning of the 1930s, people's stock of gold, not including coins, amounted to about a hundred million rubles. Right away, they admitted this figure to be very approximate because, in their own words, "the gold accumulated over centuries is incalculable."[57] The planners expected that Torgsin would procure gold scrap worth fifty-five to sixty million rubles, an obvious underestimation. Given that every family owned at least a few grams of gold—a ring, earrings, a baptismal cross, a spoon—the amount of household gold in a country with a population of 160 million would far surpass the plan's cautious figure.[58] Torgsin easily overfulfilled the quota, procuring gold scrap worth more than eighty million rubles (table 11).

Despite the approximate figures and miscalculations of the scrap to coins ratio in people's possession that lay behind Torgsin's five-year plan, the total amount of gold purchased by Torgsin—worth about 127 million rubles (table 11)—came, surprisingly, very close to the planned gold harvest of 130–140 million rubles. However, Torgsin fulfilled this plan two years earlier than expected, in 1935 rather than in 1937. Given the giant scope, duration, and ferocity of the famine, as well as the high probability of overestimation by Torgsin's planners of the amount of gold coins in people's possession, one may assume that Torgsin seized the lion's share of the Soviet people's savings in gold. The gold from family heirlooms purchased by Torgsin, which went on to be melted and sold abroad, mostly came from the eighteenth and nineteenth centuries.

After Torgsin closed, the government continued to buy gold from the population through Gosbank. The new purchasing price amounted to 6.50 rubles per gram of purity, paid in regular Soviet money accepted in any of the country's stores.[59] People continued to sell gold to the state, but this new practice bore no resemblance to the tragic passions that once raged in Torgsin.

Chapter 7

The Red Directors of Torgsin

The Intelligence Agent

The man who led Torgsin through its triumphant years was Artur Karlovich Stashevskii (1890–1937).[1] Contemporaries remembered him as a "firm Bolshevik" and "a rock-ribbed Stalinist" but also, and quite paradoxically, as a businessman.[2] A Soviet intelligence agent, Stalin's commissar in the Spanish Civil War and, in sharp contrast, a founder of the Soviet fur industry and head of Torgsin: Stashevskii's appointments may look random and even contradictory, but all of them share one invariable—Stashevskii provided gold for the USSR.

Artur Stashevskii (whose real name was Hirschfel'd) was born in 1890 in the town of Mitava in Courland, a Baltic province within the Russian Empire, to the family of a Jewish small trader.[3] He was the youngest of nine children.[4] Artur's father died early, and his mother moved with the children from Mitava to Lodz, where she opened a "dining hall" for unmarried young men.[5] Stashevskii's education was limited to elementary school and four years of middle school. In fact, he did not have time to study; at the age of fourteen, Stashevskii began to earn his living by working as a clerk. At sixteen, he joined the revolutionary movement as a member of the Social Democratic Party of the Kingdom of Poland and Lithuania (SDKPL). Indeed, young Stashevskii was a daredevil!

It seems, however, that his zeal soon waned. After two arrests, in 1906 and 1908, and a short imprisonment in 1909, Stashevskii left the Russian Empire to settle in Europe. The emigration was not surprising, since at

that time of political reaction and decline of the revolutionary movement in Russia many social democrats, including Lenin himself, went to live abroad. However, unlike many others, Stashevskii delayed his return to Russia, missing both the February and the October Revolutions of 1917. Formally, he kept his party membership until 1912; however, as his personal party file suggests, he did not conduct any political work in emigration.

What, then, did Stashevskii do in Europe? For almost five years, until 1914, he worked at the Girshovich dye factory in Paris and made his way from unskilled worker up to professional fur dyer. Then in London, for another three years, through October 1917, he dyed furs at the French Fur company.[6] These years of experience with fur, without exaggeration and quite literally, were worth gold. In the 1920s, Stashevskii used the technologies and formulas he had learned in Europe to create the Soviet fur industry. "Ennobled fur" became one of the major export items to produce gold revenues for the Soviet state. Paradoxically, Soviet fur, so highly valued in the world, was to some extant a child of classified French and English technologies that the Soviet Union, thanks to Stashevskii, obtained free of charge.

Stashevskii returned to Russia in November 1917. The Bolsheviks had just come to power in Petrograd and several other industrial centers. It seems that he was politically cautious at first and worked at the Shik dye factory in Moscow. Only in the spring of 1918 did Stashevskii undertake decisive political action. He enrolled in the courses for Red commanders and entered the Bolshevik Party. In the Civil War, Stashevskii fought on the front with a vengeance to make up for the years of political inaction: he was a representative of "the revolutionary government of Lithuania" in Dvinsk and Vilna, was arrested and imprisoned in Kovno—then occupied by the Germans—but three weeks later was freed and deported. At the beginning of 1919, he formed a partisan group that he led under the name Verkhovskii. The group later merged with the Red Army. Until the beginning of 1921, Stashevskii served as an army commissar, and finally as head of frontline intelligence. For his "merciless struggle against counterrevolution," Stashevskii was decorated with the Order of the Red Banner, a gold watch, and honorary weapon.[7]

As his personal file suggests, Stashevskii spoke German, French, English, and Polish. In addition, he had experience of living abroad and collecting intelligence. No wonder that his next appointment was in the "diplomatic" service. From January 1921 until June 1924, while formally a secretary at the Soviet embassy in Berlin, Stashevskii served as the de

facto head of Soviet military intelligence in Western Europe. In the 1920s, the position of resident in Germany, due to the relative freedom for Soviets provided by the Treaty of Rapallo, was considered the most important in military intelligence.[8] Specifically, Stashevskii was charged with maintaining communications among the Soviet and German armies' representatives and scientific and technical exchange in military industries. Thus Stashevskii contributed to the revival and buildup of Germany's military potential, which he probably regretted more than once on his mission during the Civil War in Spain.

The Berlin center, created by Stashevskii and his comrades-in-arms, accomplished its goals.[9] By the mid-1920s, Soviet intelligence networks were operating in the most significant European states. In 1924, due to its cumbersomeness and growing independence, the Berlin center was liquidated. European intelligence was subordinated directly to the Intelligence Directorate of the Red Army (Razvedupr RKKA). Stashevskii had to return to Moscow. For a few months, he worked in the Razvedupr; then he was transferred to work in . . . Soviet trade! He spent six years, until October 1932, creating the Soviet fur industry and developing Soviet fur exports. Then he came to lead Torgsin.

Such a sharp career change—from intelligence agent to "merchant"—looks at first glance like a demotion. However, there are reasons to assume that it was not a punishment. Moreover, Stashevskii's work as a military intelligence agent and a merchant was tightly connected. In the 1920s, due to the state's shortage of hard currency, military intelligence had to provide for itself: its agents earned hard currency to finance their network by conducting commercial operations, mostly by selling furs and jewelry smuggled out of Soviet Russia.[10] In those years, intelligence agents were, in fact, merchants, while Soviet merchants collected intelligence. During his work at the Berlin center, Stashevskii had established extensive connections, including in fur sales, and accumulated valuable experience in procuring hard currency.

With the beginning of industrialization, the "hard-currency front" became decisive. Fur, "soft gold," had occupied an important place in Russian exports prior to the revolution. During World War I, the revolution, and the Civil War, however, the artisanal fur production of tsarist Russia fell apart; fur exports practically stopped. Stashevskii's goal was not just to restore the small fur industries of tsarist Russia but to create a technologically advanced Soviet fur industry and market Soviet fur abroad. As an intelligence agent, he had had to find hard currency for just one agency—military intelligence. Now, as the head of Soviet fur

production and exports, he was in charge of solving the currency problem for an entire country. In this sense, his transfer from agent to merchant could be seen as a promotion.

According to Walter Krivitsky,[11] a Soviet secret agent in Western Europe in the 1920s and the 1930s, Stashevskii revived Russia's fur trade in all the world markets.[12] Indeed, the Soviet fur industry was Stashevskii's brainchild. It started in 1926 as an experimental laboratory in a dilapidated bathhouse in the outskirts of Moscow. Stashevskii had at his disposal only ten people with no experience in the fur industry. Despite the skepticism of some officials and accusations of being a dreamer, Stashevskii found equipment, taught chemists, and created dye recipes. Within five years, the country already had twelve fur enterprises. Stashevskii also founded the first Soviet Fur Industry Scientific and Research Center. He began to create an animal farming industry in the USSR.[13] In the mid-1930s, Stashevskii published two volumes of his *Basics of Fur Dressing and Dyeing*.

Stashevskii's hard work brought results. Production of fur goods increased from 9 million rubles in 1925/26 to 130 million rubles in 1931. Soviet fur exports grew as well. Moreover, its structure changed. In 1925, the USSR exported mostly raw fur, while "ennobled fur" constituted only 4 percent, and Soviet exports included no dyed fur.[14] In 1931, processed pelts made up more than a third of Soviet fur exports, and dyed fur constituted 45 percent. In 1933, processed pelts accounted for more than a half (56 percent) of Soviet fur exports.[15] After all, compared to sales of raw fur, as Stashevkii's personal file rightly stated, exports of processed fur meant millions more rubles in hard currency.[16] Growing antidumping anxiety in the West testified to the success of the Soviet fur industry. In November 1932, Stashevskii was decorated with the Order of Lenin—the highest honor in the USSR at the time.[17] While reading his awards file, it is hard to escape the thought of the emerging cult of Stashevskii in the fur industry. Torgsin was to become his next hard-currency mission.

Stashevskii arrived at Torgsin in October 1932. That was the second consecutive year of crop failures in the USSR; nonetheless, the government tried to increase procurements of agricultural produce and exports at the expense of domestic consumption. As a result, city dwellers lived on meager rations; even industrial workers, despite the state's proclaimed privileges, were in need; in the countryside millions of peasants starved to death. The moment was just right to "mobilize the people's currency valuables," and the party sent to Torgsin a man with considerable experience in earning gold. The appointment of a legendary

Civil War commander, a founder of Soviet military intelligence in Europe and the Soviet fur industry, to the position of Torgsin's director again testifies to the importance that the country's leadership attached to this organization. Stashevskii took the appointment to the trade enterprise very seriously. "You are aware, of course," he wrote, "of what totally exceptional hard work awaits me in Torgsin."[18]

Amid the famine and under Stashevskii, Torgsin experienced its finest hour. Its offices worked in almost all large cities, and the number of its stores reached fifteen hundred. Under Stashevskii, Torgsin began to accept silver, platinum, diamonds, and other precious stones to supplement hard currency and gold. In 1933, Torgsin collected its largest currency harvest: that year, starving people brought to Torgsin almost 45 tons of pure gold and more than 1,420 tons of pure silver.[19] In terms of hard-currency earnings, in 1933 Torgsin occupied first place among Soviet export organizations, overtaking grain, timber, and oil exports. Under Stashevskii, Torgsin fulfilled its currency mission spectacularly: the valuables that it procured in 1933–1934 paid for almost a third of industrial import costs (tables 4 and 11). Stashevskii left Torgsin in August 1934, when the famine receded and Torgsin entered a period of decline. For two years, he returned to the fur industry, where he worked until June 1936 as head of Glavpushnina (the Main Fur Administration, a trade office in charge of fur exports) of Narkomvneshtorg. Apparently, however, he was not forgotten by the intelligence agencies, or maybe he never lost touch with his fellow comrades. In any event, he found himself working abroad again. In the fall of 1936, the Politburo sent Stashevskii to Spain, where the Civil War was raging.

Krivitsky, who at that time worked in NKVD intelligence in Europe and met Stashevskii in Barcelona, remembered: "While this International Brigade—the army of the Comintern—was taking shape in the foreground, purely Russian units of the Red Army were quietly arriving and taking up their posts behind the Spanish front. . . . This special expeditionary force was under the direct control of Gen. Ian Berzin, one of the two leading Soviet figures assigned by Stalin to captain his intervention in Spain.[20] The other was Arthur Stashevskii, officially the Soviet trade envoy stationed in Barcelona. They were the real mystery men of Moscow behind the scenes of the Spanish theater of war; and while they gathered all the controls of the Spanish republican government into their hands, their missions remained completely unknown."[21] In Spain, the military intelligence officer and Soviet trade attaché Stashevskii fulfilled his last hard-currency mission. He became one of the main participants in

Operation X,[22] which resulted in the lion's share of Spain's gold treasury—about 510 tons—ending up in the vaults of Gosbank in Moscow.[23]

On July 16, 1936, an antigovernment military revolt opened the Civil War in Spain. Hitler and Mussolini eventually actively supported the rebels led by Francisco Franco, while the Republican government made up of a coalition of leftist parties found itself in an international boycott. It could not, either directly or through intermediaries, buy arms; due to nonintervention policies, the world powers not only refused to give credit, sell weapons, or act as mediators but in some cases even froze the Spanish deposits in their banks.[24]

The Republican government asked the Western powers for help. From the beginning of the Civil War, repeatedly and persistently, the Republicans also asked Stalin to assist in acquiring weapons. He, however, reacted to the appeals rather coldly. Then the cold withdrawal turned to heated interest. A preliminary agreement was reached in August 1936, and in mid-September, Stalin appointed a special commission of high-ranking representatives of the military and NKVD intelligence to work on a plan of military assistance for Spain. This plan was then discussed and, on the whole, approved by the Politburo on September 29, 1936, in violation of the Declaration of Noninterference in Spanish Affairs signed by the USSR just a few weeks earlier, in August.[25]

Clearly, the Republicans offered Stalin something he could not resist—almost the entire gold reserves of Spain, which ranked fourth in the world—the gold of the Aztecs and Incas looted by the Spaniards, ingots and bars, gold Spanish pesetas, French louis d'ors, British sovereigns, American half-eagles, valuables that had been accumulating since the unification of Castile and Aragon.[26] Almost all scholars who study this subject agree that the initiative belonged to the Spaniards, more specifically to Prime Minister Largo Caballero and Finance Minister Juan Negrín, who acted with the consent of the president of the Republic, Manuel Azaña. According to Álvarez del Vayo, minister of foreign affairs and military commissar of the Spanish Republic, that was an act of desperation and hopelessness: the Francoists were close to Madrid.[27] The fate of the Republic hung by a thread.

Historians give many reasons why Stalin decided to get involved in the Spanish fight—fear of the spread of fascism, distrust of European leaders, desire to gain international prestige as a fighter against fascism or to mute world protests against the terror raging in the USSR. Others believe that Stalin planned to use pro-Soviet Spain, in the event of a Republican victory. . . . While not rejecting all these reasons, I believe, that

gold played a significant role in Stalin's decision to help Spain. Stalin consolidated his power at a time when the Bolsheviks had practically exhausted the inherited gold reserves of the Russian Empire. Against the backdrop of empty vaults Stalin's industrialization looked dubious. While getting the country involved in it, Stalin sensed to the full extent the power of gold. Just as people who once starved stockpile food for the rest of their lives, Stalin, having gone through a state gold and currency bankruptcy, built up the country's gold reserves to the end of his life. According to official data, by the end of his rule, the USSR's treasury reached a record figure of more than two thousand tons of pure gold.

In 1936, hardly anyone doubted that soon there would be a big war. Spanish gold could be useful. Stalin, of course, did not acquire it as a gift. The Spanish government expected that the gold, to the last coin, would be spent to meet the needs of the Republic. Given Stalin's personality, however, one suspects that he found ways to use Spanish gold for his own country's advantage. Documents provide some proof.[28] Under no circumstances, it seems, was he going to return the Spanish gold.[29] Historians continue to debate whether the gold went entirely to help Republican Spain or whether some of it stuck to Stalin's fingers.[30] Would not it be interesting to peek into Gosbank vaults today? What if the gold pesetas and louis d'ors from Spain's treasury are still there? In any case, all the scholars who study Operation X agree that helping Spain was a business deal for Stalin. It is doubtful that he would have negotiated at all if the gold had remained in Madrid, besieged by Franco. The negotiations became possible because the gold treasury had already been evacuated from the Spanish capital to the old caves in Cartagena, a sea port where Soviet ships unloaded.

The NKVD was in charge of transporting the gold to the USSR. For three nights, October 22–25, 1936, in pitch darkness, Soviet tank crews who had been awaiting the arrival of military equipment to Cartagena, transported, according to the official data, 7.8 thousand boxes of gold (145 pounds each) from the caves to the port and loaded them onto four Soviet ships.[31] On November 2, the gold arrived at the Soviet Black sea port of Odessa. From there, by a special train heavily guarded by the NKVD, it proceeded to Moscow to Gosbank's repositories.

Krivitsky described the arrival of the Spanish gold in the USSR: "One of my associates, who had gone on this unusual expedition, described to me the scene in Odessa. The entire vicinity of the pier was cleared and surrounded by cordons of special troops. Across this cleared and empty space from dock to railroad track, the highest OGPU officials carried the

boxes of gold on their backs. For days and days they carried this burden of gold, loading it on freight cars, which were then taken to Moscow under armed convoys. He attempted to give me an estimate of the amount of gold they had unloaded in Odessa. We were walking across the huge Red Square. He pointed to the several open acres surrounding us, and said 'If all the boxes of gold that we piled up in the Odessa yards were laid side by side here in the Red Square, they would cover it from end to end.'"[32]

What was Stashevskii's role in Operation X? In Spain, he served under the cover of trade attaché, and the main commodity during a war is weapons. One of Stashevskii's major responsibilities was to supply arms to Spain. Facts suggest that this was not just about purchasing and delivering. Like all other Soviet military advisers, Stashevskii aimed to rule. Krivitsky, for example, believed that Stashevskii in fact subjugated Finance Minister Negrín. "In our inner circle [intelligence—E.O.]—he writes—Stashevskii was then jestingly called 'the richest man in the world' because of his control of the Spanish treasury."[33] Moreover, Caballero resigned in May 1937, not without Stashevskii's assistance, and the former minister of finance Negrín, the Republican leader most sympathetic to the Soviet Union, became head of the Madrid government.[34]

Stashevskii, if one is to believe Krivitsky—and the latter was not a bystander himself, being actively engaged in the purchase of arms for Spain—became a major figure in Operation X.[35] Allegedly, Stashevskii, on Stalin's order, offered Negrín a deal—to exchange Spanish gold for weapons. Some contemporary scholars support Krivitsky's opinion. Pablo Martin Aceña suggests that the Spanish treasury went to Moscow because the Republican leaders came under pressure from the Soviets, in particular Stashevskii. Aceña notes, though, that this Soviet pressure was readily accepted by the Republican leaders, especially Negrín, because the Soviet promised weapons in return for the gold.[36] Antony Beevor, in his study of the Spanish war, cites a version that it was Stashevskii who suggested to Negrín the establishment of a gold account in Moscow due to the difficult war situation and the need to buy weapons and raw materials.[37]

The fact that Stashevskii and Negrín were on good terms seems to support Krivitsky's opinion. A participant in the events of those days, Álvarez del Vayo, writes: "the Russian with whom Negrín had most contact was Stachevski [sic]; they formed a real friendship."[38] Stanley Payne brings more details to the story: "Negrín himself was developing ever closer Communist connections. His personal secretary, Benigno

Martínez, with whom he was on intimate terms, was a Communist Party member, and he quickly developed a close personal relationship with his chief counterpart in the Soviet embassy, Arthur Stashevskii, the commercial attaché; they frequently lunched together."[39] Aceña too underlines close contacts between the Spanish minister of finance, Negrín, and Stashevskii, in particular that they could speak Russian to each other, which increased mutual trust. He adds that Negrín was one of the promoters of the Association of Friends of the USSR, and that Stashevskii, a thick-looking businessman, apparently possessed talent and irresistible charm.[40]

However, the timing of Stashevskii's arrival in Spain makes one reject Krivitsky's and contemporary scholars' argument that Stashevskii convinced Negrín to give the gold away. The agreement on the transportation of the gold to the USSR had already been completed in September, while Stashevskii, as the Politburo's special files suggest, was sent to Spain at the end of October 1936, after Caballero and Negrín, on October 15, already sent an official letter to Stalin with the proposal to accept 510 tons of gold for storage.[41] At best, Stashevskii suggested to Negrín a concrete way to deal with the gold after its arrival to Moscow: to sell it for cash and deposit the currency in a Soviet-affiliated bank abroad —the plan that was, in fact, implemented.

Stashevskii arrived in Spain not long after the principal agreement on gold between Stalin and the Republican government was achieved. This fact may mean that he was sent to complete the deal. Although Stashevskii was neither the author of the idea to give Spanish gold to the USSR, nor the person who talked Negrín into the deal, he was an active executer of Operation X. Stashevskii's encoded telegram of April 24, 1937, sent from Valencia, the new residence of the Republican government which had left dangerous Madrid, proves that he not only knew about the operation but controlled it. This is what he wrote to Rozengol'ts, the Soviet commissar for external trade, in Moscow: "I found out specifically that the Moscow act on gold delivery was handed to Caballero, and that he, in turn, passed it to Baraibo, the deputy minister of war, a highly dubious man."[42] Aceña also shows that Stashevskii served as a liaison between Negrín and Stalin.[43] For his role in Operation X, Stashevskii was awarded the Order of Lenin.

Stashevskii became one of the many victims of Stalin's Great Terror. His NKVD file was inaccessible to me, so memoirs remain almost the only source of information on the last tragic days of this exciting life.[44] As repres sion in the Red Army increased, black clouds gathered over

Stashevskii.[45] In April 1937, Krivitsky writes, Stashevskii was recalled from Spain to Moscow to report to Stalin. More than a month had passed since the ill-fated February–March party plenum that endorsed mass hysteria, and the flywheel of repression had gained momentum. However, it seemed that Stashevskii did not feel it necessary to be cautious. Talking to Stalin, if one is to believe Krivitsky, who saw Stashevskii in Moscow in those days, Stashevskii criticized the NKVD repression in Spain.[46] According to Krivitsky, Stashevskii left his meeting with Stalin quite elated. Then he met with Mikhail Tukhachevskii, whose position was already shaky, and criticized the rude behavior of Soviet military advisers in Spain. This conversation, as Krivitsky writes, "caused quite a lot of talk in the inner circle." Stashevskii was not arrested then and was allowed to return to Spain, but his behavior, Krivitsky believes, made his arrest inevitable.[47]

To lure Stashevskii out of Barcelona to Moscow, writes Krivitsky, his daughter Charlotte (born 1918) was taken hostage. Her parents called her Lolotte. At the time, she and her mother, Regina Stashevskaia, worked in the Soviet Pavilion at the Paris Exhibition.[48] In June 1937, Stashevskii's daughter was told to take some exhibits back to Moscow. She left and disappeared. Soon after that, Stashevskii was recalled to Moscow. He left Barcelona, according to Krivitsky, with Berzin and passed through Paris in great haste. Krivitsky claims that he talked to Regina on the phone. She was very alarmed that no one answered the phone in their Moscow apartment. She had heard nothing from her daughter or her husband. A few weeks later, early in August, Regina received a brief note, allegedly from her husband, asking her to return urgently to Moscow. Believing that her husband was in prison and needed help, Regina Stashevskaia immediately left Paris.[49]

Memoirs by Marylia Kraevskaia, who met a neighbor of Regina Stashevskaia while in a Gulag camp, confirm some of Krivitsky's facts.[50] She writes: "Regina had a daughter, Lolota [sic], seventeen years old [sic]. Regina is French, her husband Polish [sic]. Lolota graduated from a ten-year school and was a Komsomol member. First, her father was arrested. He was called from Paris, where he supervised the Soviet Trade Exhibition. He was arrested at the railway station in Moscow [probably right after his arrival from abroad—E.O.]. Regina remained in Paris, waiting for letters from her husband. After a month, a letter came in which he asked her to return. An investigator in prison made Stashevskii write this letter. Regina was arrested in front of her daughter at the railway station. Lolota was left alone. She was expelled from the

Komsomol and her institute." According to Marylia, Lolotte Stashevskaia committed suicide. "We said nothing to Regina," continues Marylia. "Let her live with hope as we all do."[51]

Stashevskii's nephew, Emanuil Margolis, who turned twenty-nine in 1937, gives his version of the events. According to him, Stashevskii organized a supply of weapons from France for the Spanish republicans. In Paris with him were Regina and Lolotte, who worked in the Soviet Pavilion at the Exhibition.[52] Suddenly, Stashevskii was summoned to Moscow. Knowing about the arrests, and before leaving Paris, he asked Regina not to return to the USSR under any circumstances. However, when the letter from Moscow came with a request to return, which, according to Margolis, was not written by Stashevskii, Regina and Lolotte immediately went back to the USSR. Regina was arrested right away. After the arrests of her parents, Lolotte was found dead in the family bathroom; she was gassed.

There are discrepancies between Krivitsky's, Kraevskaia's and Margolis's accounts: Lolotte's age, whether she was with her mother in Paris or not, whether Stashevskii was recalled from Paris or Barcelona, and whether he himself asked Regina to return to Moscow, knowing that she probably would be arrested there. However, all these sources agree that Stashevskii was summoned from abroad and immediately arrested on arrival, and, unfortunately, that there was a fatal letter from Moscow. One can assume that Regina decided to leave Paris either because she recognized her husband's handwriting, or because Lolotte was already in Moscow and in danger. However, neither Stashevskii nor Lolotte were saved by Regina's return to the USSR.

Regina Stashevskaia survived. In 1956, during Khrushchev's Thaw, she applied to the Party Control Committee (KPK), requesting the rehabilitation of her husband. The KPK certificate of Stashevskii's rehabilitation provides the details of his death. The NKVD arrested Stashevskii in Moscow on June 8, 1937. The month of the arrest supports Krivitsky's testimony. Stashevskii was accused of being a member of the so-called Polish Military Organization (Pol'skaia organizatsiia voiskovaia), which in the 1920–1930s allegedly conducted sabotage and espionage against the Soviet Union in the interest of Polish intelligence. Many Polish political émigrés and Poles in the security services and the army, as well as senior officials of other nationalities who had Polish connections, were arrested as part of this case fabricated by the NKVD.[53] In an NKVD classified letter titled "On the Fascist-Rebellious, Espionage, Subversive, and Terrorist Activities of Polish Intelligence in the USSR," dated August

11, 1937, and signed by Nikolai Ezhov, Stashevskii was blamed in particular for using his presence in Berlin in 1923 to disrupt the Hamburg uprising.[54]

The NKVD investigation file reviewed by the KPK in 1956 proved that Stashevskii, probably under torture, pled guilty. The Military Collegium of the Supreme Court of the USSR sentenced him to death on August 21, 1937. The sentence was carried out the same day.[55] Dates on the documents attest that at the time of his execution, and even a few months after it, Stashevskii remained a member of the Communist Party. He was expelled from the party only on November 1, 1937. The party bureaucracy could not keep up with the pace of the executions. In response to a decision by the Main Military Prosecutor's Office, the Military Collegium of the Supreme Court of the USSR, vacated Stashevskii's 1937 sentence and closed his case on March 17, 1956.[56] This was followed by his posthumous party rehabilitation.[57]

Chapter 8

Silver

Torgsin was originally conceived as exclusively a foreign-currency and gold-procuring enterprise. Its 1933–1937 five-year plan, adopted in 1932, did not hint at the possibility for future acceptance of other valuables. However, starving people were bringing in diamonds, rubies, platinum, silver, paintings, statuettes . . . and begged to exchange them for food, as if telling the government what else could be taken from them. Torgsin offices reported to the board a flood of "unauthorized" valuables, and the board informed the government. The eventual decision to accept all sorts of hard-currency valuables in Torgsin resulted not only from an acute hard-currency crisis but also due to people's perseverance. Thus Torgsin was as much an offspring of an extremely active grassroots initiative under the conditions of mass starvation as it was a product of decisions from above. Why did the Politburo delay its permission to accept valuables other than gold?[1]

Apparently, the country's leadership wanted, first of all, to "skim the cream": that is, to make people give up their gold. There was reason to fear that Torgsin's acceptance of other valuables, especially less precious and more common silver, would result in a drop in the flow of gold.[2] The argument that the delay in accepting any valuables but gold was deliberate gains support from the fact that the Politburo, while allowing Torgsin to accept silver in November 1932, recommended that it postpone doing so in areas with a significant amount of gold.[3] The acceptance of valuables other than gold by Torgsin did not start across the board but

began as an experiment in the largest cities first, to see how it would affect the procurement of gold. In addition, Torgsin's regional offices did not give permission to accept silver to all their stores at once but selected first those where gold deliveries were in sharp decline.[4]

In explaining the delayed acceptance of silver and other nongold valuables, one also has to take into account bureaucratic red tape and financial difficulties. Starting a new operation required appraisers, new purchasing points, advertising, and resolving interinstitutional problems. In the Soviet system, long months could separate the birth of an idea, even if it was profitable, from its implementation. The clumsy state bureaucratic machine could not keep up with society's demands. In fact, the question of Torgsin buying silver was discussed in Narkomvneshtorg in the autumn of 1932.[5] The Politburo gave it the green light in November; in December silver purchases began in some major cities, and in January 1933 Torgsin was supposed to extend the silver operation throughout the rest of the country. In reality, though, it happened only in the spring and summer of 1933.

Torgsin accepted silver as scrap and as objects, as well as tsarist coins and bullion. As in the case of gold, Torgsin was forbidden to purchase silver ecclesiastical items, which by law had already been proclaimed the state's property and subject to confiscation.[6] However, peasants kept bringing silver icon frames (*rizy*).[7] Torgsin, as it happened, not only accepted *rizy* but also took their owners under its protection. A document tells a story of an "unknown citizen" who in October 1933 brought an icon frame weighing nearly 3.5 kilograms to Torgsin. Torgsin paid the citizen 48 rubles and 47 kopecks for it. When the local GPU demanded that Torgsin detain the customer for embezzlement of state property, Torgsin refused rather than scare away other customers.[8]

Torgsin also had no right to accept Soviet silver coins, however, people found ways to circumvent the ban. Here is the story. At the end of the 1920s, according to Gosbank's chairman G. L. Piatakov, a silver crisis began. Due to frequent and significant emissions to cover the state's budget deficit, paper money quickly depreciated, so people tried to keep their savings in silver coins and gold.[9] Gosbank threw more and more silver coins into circulation, but they instantly disappeared, squirreled away by the population. Peasants charged less at the market if one paid in silver instead of paper money. Cashiers in stores kept silver coins for themselves, replacing them with their own paper money. Tram conductors did not surrender a single silver coin to the state from the payments received from passengers. Huge lines queued at Gosbank

offices, where people hoped to exchange paper money for silver. The silver crisis reached its peak in 1929–1930. In May 1929, Narkomfin reported to the Politburo that Soviet silver rubles and fifty-kopeck coins had practically disappeared from circulation.[10]

Repression soon followed.[11] For hoarding silver coins, one could be sentenced to three to ten years in a concentration camp, and in show trials to execution.[12] By the end of September 1930, to eliminate the silver crisis the OGPU had conducted about 490,000 home searches, made 9,400 arrests, and deported more than 400 "speculators and hoarders of silver to camps."[13] However, the attempts to overcome the silver crisis failed. The government gave up and decided to replace silver coins with copper and nickel ones. Despite the repression, the population retained a significant amount of Soviet silver. Of the total silver coins, worth 240 million rubles, issued in circulation since the chervonets monetary reform, by the autumn of 1930 only 2.3 million rubles worth had been recovered from the population.[14] According to Gosbank, by the summer of 1934, Soviet silver rubles and fifty-kopeck pieces worth about 65 million rubles and silver coins of smaller denominations worth 165 million rubles were being hoarded by the citizenry.

With the beginning of the silver operations at Torgsin, the Soviet silver coins that had been squirreled away by the population suddenly reappeared and began to return to Gosbank, but in such a way! Since Torgsin did not accept Soviet coins, people melted them into ingots. This was a profitable business. Fifty Soviet silver rubles if melted made a kilogram ingot. Up to the summer of 1930, Torgsin would pay 12.5 gold rubles for such an ingot, and in the summer that went up to 14 gold rubles. According to the official exchange rate, one Torgsin gold ruble equaled 6.60 rubles of regular Soviet money; on the black market, during the famine of 1933, people would pay much more—60–70 rubles for a gold ruble—to get access to Torgsin's food. Thus fifty Soviet silver rubles, once melted and sold to Torgsin, could almost double, even at the low official exchange rate, their nominal value, while at the black market rate, they could bring over eight hundred, or even over nine hundred, regular Soviet rubles.

Local Torgsin offices reported to Moscow that the silver ingots that people brought to its stores showed obvious signs of being melted Soviet coins: the hammer and sickle, and the inscription "Proletarians of All Countries, Unite." According to the Astrakhan′ Torgsin, it paid up to five hundred rubles a day for such ingots.[15] And Astrakhan′ was not the only place where people showed such guile. The government sounded the

alarm and declared war on these craftsmen. In April 1933, Narkomfin and Gosbank issued a secret circular that forbade Torgsin to accept ingots that showed signs of being melted Soviet coins.[16] In response, as is evident from a report, the "lumpen and criminal elements managed to improve their work" and the betraying signs disappeared, but the melting did not stop. Narkomfin did not give up: it forbade Torgsin to accept low-purity silver ingots because the silver used in Soviet coins of small denominations was of low fineness.[17] The folk craftsmen responded by adapting and fabricating higher-purity ingots. People also found other ways: since Torgsin accepted objects made of silver regardless of purity, the craftsmen melted Soviet silver coins to make pieces of simple jewelry and brought them to Torgsin.[18]

The government could not stop this grassroots entrepreneurship and had to retreat. In late 1933, Gosbank softened restrictions on the acceptance of silver by Torgsin. A Gosbank secret circular demanded that appraisers accept, without objection, high-purity silver ingots if they did not have *obvious* signs of being melted Soviet coins.[19] The circular represented a compromise achieved in the "silver confrontation" of the state and society: the government did not want to encourage people to melt Soviet silver coins, so they made the circular secret, but at the same time, if the melting did take place, it was better to accept the ingot rather than let it disappear on the black market. For violating the circular, appraisers who were too picky could be punished. That the melting of Soviet silver coins did not stop over time is made clear from a letter by Torgsin's head, Stashevskii, who, in the spring of 1934, again queried Narkomfin about ways to prevent the acceptance of fraudulent ingots.[20] At the beginning of 1935, the acceptance of silver ingots and low-quality work silver objects bearing no purity hallmark was prohibited in Torgsin.[21]

Silver brought to Torgsin was normally accepted by the same appraiser who dealt with gold. His work tools for silver were heavy and rough—a chisel, a hammer, commercial scales up to eight kilograms, and under the table a large box in which he threw what was purchased. The box was attached to the floor by bolts and locked. Torgsin accepted silver by weight, and before weighing the appraiser broke out all nonsilver parts. As in the case of gold, appraisers had to test silver and could not rely on the purity hallmark on the objects.[22] The appraisal of silver in Torgsin was simpler and required fewer precautions than that of gold. Thus the appraiser, unlike in case of gold, did not have to collect silver dust.

Torgsin was a transit point, a peculiar "camp for displaced antiques," where cheap scrap coexisted with true masterpieces. The Torgsin Board tried to fight the barbaric methods of appraisal in an attempt to preserve masterpieces from being melted, not for Soviet museums but for better resale. In December 1932, at the beginning of the silver operations in Torgsin, Narkomvneshtorg issued an instruction that taught appraisers to distinguish high art from scrap silver.[23] The instruction required them to preserve intact silver objects of the eighteenth century and older, fine silverware of the most famous firms of the nineteenth and early twentieth centuries, as well as silver that belonged to the Romanov royal family and highly artistic silver objects of "Russian, Jewish, and Caucasian national art." The selected objects had to be carefully packaged separately from the scrap and accompanied with a note bearing the appraiser's name and value sent to the central gathering point in Moscow. From there the silver masterpieces went on sale in Torgsin's antique stores and abroad.

The appraisers were to be rewarded for preserving antique silver, but there are a lot of reasons to believe that many silver masterpieces perished in Torgsin. In February 1933, the Torgsin Board reprimanded appraisers for not following the instruction to preserve antique silver and mixing it with silver scrap.[24] It happened that appraisers did not care or, due to ignorance or limited skills, simply could not determine an object's artistic value. Here is just one example that the head of Tajik's Torgsin office reported to Moscow: "In December, an inexperienced appraiser led to there being shipped in a common bag two vases, of absolutely identical and beautiful engraved work. The figures depicted on them were all sorts of beasts and gladiators apparently entering into battle with them. Believing that these vases are very valuable and having learned about their shipment only today, we inform you about this so that you will know to check the receipt."[25] It remains unknown whether these vases were ever found or how many true masterpieces were turned into scrap by Torgsin's appraisers. As in the case of gold, the antique, historical, or artistic value of silverware was not taken into account in determining the price paid to the owners; all silver objects were accepted as scrap. Inserts that decorated antique silver objects were not paid for either.

Silver owners had to undergo the same ordeal of paperwork and queues in Torgsin as gold owners. But Torgsin's purchasing price for silver, unlike gold, was not established as a Soviet official ruble equivalent of the world market price; it was substantially lower. Narkomtorg documents state this openly, attributing the price gap to market

instability: by the beginning of the 1930s, the world price of silver had fallen by several times compared to the period before World War I.[26] To feel secure, Narkomvneshtorg first set Torgsin's purchasing price for silver objects at 15–20 percent below the world price, and even lower on coins.[27] Thereafter, Torgsin's prices for silver increased, but they never caught up with the world market price.

In January 1933—when the silver operation in Torgsin had just begun—owners received twenty-three kopecks for a tsarist silver ruble.[28] According to the world market price of silver, as Torgsin's employers themselves admitted, the tsarist silver ruble should cost thirty-three to thirty-four kopecks. The hard-currency expenses associated with refining, insurance, and shipment of silver to the world market, as estimated by Torgsin's economists, constituted five to six gold kopecks per one silver ruble. Thus on the world market in the first half of 1933, every melted tsarist silver ruble—and millions of them were purchased by Torgsin—brought to the Soviet government a profit of about five kopecks in foreign currency.[29]

Torgsin paid owners more for silver in objects and bullion than for silver in coins, so it was more profitable for people to melt tsarist coins and bring them to Torgsin as ingots.[30] However, as with the coins, Torgsin's purchasing price for silver in objects and ingots lagged behind the world market price. In early 1933, Torgsin paid 14.88 rubles for a kilogram of pure silver.[31] As quoted by the New York Stock Exchange, on October 8, 1932, the cost of a kilogram of pure silver, when converted, was 18.66 rubles.[32] By August 1933, Torgsin's price increased to 16.67 rubles per kilogram of pure silver,[33] while in London and New York during the same period of time a kilogram of pure silver cost, when converted, 17 rubles.[34] It would seem that the difference between Torgsin's and the world price for silver became negligible. People mostly brought ligature silver, however, which is a mixture of silver and other metals. According to Promexport, a ton of ligature silver contained about 1.2 kilograms of gold.[35] Apparently, because of this gold content, Torgsin tried to stimulate the flow of silver in objects and ingots by paying a higher price compared to silver coins. This "hidden gold," which Torgsin received at the price of silver, was refined and sold to the world at the price of gold. According to Promexport's calculations, in the summer of 1933 the state's net profit on silver of the seventy-sixth fineness was 18.5 rubles per kilogram of purity: that is, 1.83 rubles above Torgsin's purchasing price.[36]

In 1934, the world price of silver rose rapidly. Narkomvneshtorg attributed this to procurements by the United States to replenish its

national reserves.[37] According to quotes from London, on November 19, 1934, when converted, a kilogram of pure silver cost 19.5 rubles, and on November 24, it was 20.4–20.5 rubles. Yet Torgsin continued to buy silver for 16.67 rubles per kilogram of purity. Torgsin's head M. A. Levenson, in a note to Rozengol'ts (who sent it to the SNK), reported that given the gold contained in the ligature silver and rising world prices for silver, Torgsin was underpaying by 35–40 percent (about 6.75 rubles) per kilogram of purity. Levenson, then Rozengol'ts, asked the SNK to increase Torgsin's purchasing price to twenty-three rubles per kilogram of purity to stop the decline in silver flowing to Torgsin. But even with the new price, according to Levenson, sellers of silver to Torgsin would have remained in a much worse situation than sellers of gold. Torgsin's purchasing price for silver did, indeed, increase, but only at the end of 1934 and not to twenty-three rubles, as requested by Narkomvneshtorg, but only to twenty rubles per kilogram of purity.[38] Thus the profit received by the state, though diminished, remained.

Torgsin's deputy chairman M. N. Azovskii, in June 1933, while speaking at a meeting of store directors, with cynical frankness admitted the profitability of the silver operations: "Some Torgsin employees believe that there is no reason to accept silver if a queue exists to sell gold. A very harmful theory. A wrong theory. And I'll tell you why. If you want to know, it is more profitable for us to accept silver than gold. . . . We sell silver abroad for more than gold; we earn more on silver than on gold." This admission, revealed in the fervor of the speech, was then crossed out in preparing the minutes for publication: why tell people that they are being fooled? In the same presentation Azovskii also commented on another important characteristic of silver: "We say that we have gold customers and silver customers. . . . And I shall say that a silver customer tows the gold customer. In fact, if today he brought a couple of [silver—E.O.] forks and spoons and learned about Torgsin, then after a while he will bring a [gold—E.O.] ring and earrings. . . . It is easier to start with a fork, with silver."[39]

Big silver procurement plans, as well as revelations dropped by Torgsin's leaders, indicate that they believed the population's silver savings to be enormous and, therefore, counted on significant inflow. Stashevskii, for example, in a letter to Narkomtorg called the five hundred tons of silver purchased by Torgsin in May–July 1933 an "utterly pitiful" amount.[40] The dynamics of silver's inflow to Torgsin, as in the case of gold, reflect the development of the mass famine. After starting to accept silver in December 1932, Torgsin procured 18.5 tons of pure silver

over the remaining few weeks of the year, paying its owners 254,000 rubles.[41] From the beginning of the hungry year of 1933, silver deliveries rose rapidly: in January people brought to Torgsin 59 tons, in February 128, in March 155, and in April 162 tons of pure silver. In May and June, when the famine reached its peak, Torgsin procured, respectively, 173 and 170 tons of silver. Then the famine began to retreat and deliveries to Torgsin fell: in July people brought 149 tons of pure silver.[42] Altogether, in 1933 people sold to Torgsin 1,730 tons of silver (of the eighty-fourth fineness), and received 23.4 million rubles in return (table 14). Taking into account the gold contained in the ligature silver and the gap between Torgsin's purchasing prices and the world market prices for silver at which the state then sold silver abroad, the real value of the silver delivered by the population in 1933 amounted to 27.7 million rubles, the difference pocketed by the state, the so-called *pripek* (surplus), being 4.3 million rubles received in foreign currency.[43]

Despite the impressive silver tonnage, the 1933 results disappointed the government, which had planned on receiving about three thousand tons.[44] The active delivery of silver at the beginning of the operation in Torgsin rapidly decreased in the second half of 1933. The relatively low amounts of silver procured in 1933 were partially due to the late onset: the development of Torgsin's silver purchasing network started close to the end of the mass famine. However, the overfulfillment of the gold procurement plan, the purchasing network for which had been fully developed by the peak of the famine, compensated with a vengeance for the shortage of silver. If Torgsin had started buying silver earlier, it would have probably received thousands of tons more, but the piles of gold might have been smaller.

The capital city led in silver procurement. In 1933, Moscow's Torgsin purchased silver in the amount of almost three million rubles and, combined with the Moscow region, 3.8 million, which constituted more than 16 percent of the total silver purchases by Torgsin that year. Leningrad followed Moscow with two million rubles.[45] Among the Soviet republics, the lead belonged to the Russian Federation, where Torgsin's network was the most developed, unsurprisingly followed by Ukraine, where the famine raged and the network was developed as well.[46] In 1933, Torgsin's Ukrainian offices bought silver worth 4.3 million rubles.[47] Moscow and Ukraine alone provided more than a third of the silver purchased by Torgsin in 1933. In 1934, the hierarchy remained the same.[48]

Torgsin's leadership explained the "poor" results of 1933 by citing the low purchasing price for silver and asked for its increase, but the

government assigned a new price only in December 1934. Due to the improvement of the food situation in the country and the low purchasing price for silver in Torgsin, the delivery of silver continued to drop in 1934, the yearly total being, according to Gosbank, about 13 million rubles (table 14), or approximately 780 tons of pure silver.[49] Thus in 1934, Torgsin failed to fulfill what seemed to be a very modest plan. Nonetheless, sold on the world market, part of this silver brought to the state a surplus of 5.3 million rubles in foreign currency from the gold contained in the ligature and the difference between Torgsin's low purchasing price and the world market price for silver.[50] The 1935 silver procurement plan of 7.5 million rubles—or, based on the new purchasing price of 20 rubles per kilogram of purity, about 375 tons—looked pitifully small. Torgsin failed it anyway. In 1935, it procured silver worth only 4.5 million rubles, yielding about 225 tons (table 14). At the end of 1935, in connection with the closing of its activities, the silver operation in Torgsin ceased.

The final result shows that people mostly brought to Torgsin so-called domestic silver (*bytovoe serebro*): that is, household items and jewelry, the accumulation of which exceeded the amount of tsarist silver coins in people's possession. Hunger forced people to part with family heirlooms. Overall, in 1933 coins amounted for only 1.5 tons (about three million rubles) in Torgsin's silver procurement, while domestic silver accounted for 17 tons (about twenty million rubles). In 1934, Torgsin purchased silver coins worth about 800,000 rubles, and domestic silver for more than 12 million rubles.[51] In most cases, according to Levenson, people brought in silver in small amounts, up to one ruble's worth, and almost immediately redeemed the money received from Torgsin to buy food.[52]

Overall, during its existence, Torgsin procured about three thousand tons of silver (eighty-fourth fineness), for which it paid the former owners more than forty-one million rubles. The government hoped for more but miscalculated because of the late start of the silver operation and Torgsin's low purchasing price. As a result, silver played a much smaller role in the history of Torgsin, Soviet industrialization, and people's everyday life than did gold. While gold accounted for over a half of all valuables procured by Torgsin in 1932–1933 (calculated in Torgsin's purchasing prices), and over a third in 1934–1935, in the best years of the silver operation (1933–1934), silver amounted to only one-fifth. In 1935, this proportion fell to less than 10 percent, and in the grand total it was 14 percent of all valuables procured by Torgsin.[53]

Chapter 9

Diamonds and Platinum

"Recently we were offered a six carat diamond for one hundred rubles; such a diamond before the war would have cost two thousand to three thousand rubles. Pure platinum . . . We had to refuse the offer, in fact, pushing the client to the black market," a regional office of Torgsin reported in August 1933.[1] During the famine of 1932–1933, similar letters came to the Torgsin Board from different parts of the country. Valuables were streaming to the state, but the bureaucratic machine turned slowly. Only in April 1933 did Narkomvneshtorg start to discuss Torgsin's acceptance of diamonds, while the permission to begin operations came much later, in August, when the famine was already over.[2] At first, the government only allowed the purchase of diamonds in three cities—Moscow, then Leningrad and Khar′kov. The initial results were encouraging.

As soon as diamond operations began in the elite cities, the requests from other Torgsin offices to be allowed to purchase diamonds became insistent. A report from Voronezh, for example, said (November 1933): "Once the Moscow, Leningrad, and Khar′kov Torgsin started accepting diamonds, the population of the city of Voronezh began, daily, to offer a lot of diamonds to our appraisers." However, not having permission from above, the Voronezh Torgsin had to send the diamond owners to other cities.[3] Local authorities sometimes perceived the refusal to allow them to accept diamonds as an indicator of their city's low importance, or even as a personal insult: "Rostov, from time immemorial, has been assumed to be

the most show-off city in terms of clothes and knick-knacks, as well as the wearing of diamonds; moreover it is the most entrepreneurial of cities," and yet—the letter's author wrote with resentment—Rostov was not allowed to purchase diamonds.[4]

In September 1933, the Torgsin Board requested that the government allow diamond operations in Kiev, Gor'kii, Rostov-on-Don, Baku, and Tbilisi and hoped to expand such practices to other major cities.[5] By February 1934, the diamond purchasing points worked, in addition to the cities listed above, in Odessa, Kazan', Minsk, and Crimea.[6] Torgsin requested permission to buy diamonds across the board.[7] By the end of 1934, the number of diamond purchasing points reached nearly three hundred.[8] In those areas where there were no purchasing points, the procurement of diamonds was conducted by traveling brigades of appraisers. Under NKVD surveillance, diamonds from the regions traveled to the central storehouse in Moscow.[9] From there, after being sorted, they went to Koverkustexport, a state organization that sold them abroad.[10] The government had been slow in making the decision to purchase diamonds but, as soon as the decision was made, rushed to demand that torgsins send reports on the diamond operations every five days. In October 1934, the government allowed Torgsin to procure other precious stones as well.

The decision to buy diamonds raised the question of platinum, because diamonds were often framed in this metal. Reports from the localities about people bringing platinum for purchase reached Moscow almost from the moment Torgsin opened. Thus in April 1932, Torgsin's Ural office informed Moscow that after the purchasing points operated by the gold and platinum industry were closed, people began to bring platinum to Torgsin, and in quite significant quantities. The Ural office requested that it be allowed to buy platinum.[11] However, only in October 1933 did Narkomvneshtorg send an SNK commission a draft decree on buying platinum in four cities—Moscow, Leningrad, Khar'kov, and Sverdlovsk (a platinum-industry region).[12] Gosbank backed Narkomvneshtorg's proposal. Narkomfin was not against it either but demanded that measures be taken to prevent the siphoning of platinum from state enterprises. As a result, Torgsin was allowed to buy platinum only in the form of jewelry and household objects. While Sovnarkom considered the draft and approved it, time passed. The platinum purchasing operation started in Torgsin only in 1934.

Torgsin appraisers wrenched diamonds out of their settings, determining their value based on a price list that the board sent to

Torgsin's regional offices. As acknowledged by a Leningrad appraiser, the first price lists were badly compiled: prices did not take into account the diamonds' distinctive features, so appraisers had to work in the dark and sometimes, in order not to lose large diamonds to the black market, increased prices at their own responsibility. Torgsin's deputy chairman Azovskii admitted the price lists' imperfections but forbade unauthorized price increases.[13] Leningrad's appraisers were not the only ones who criticized, so in the spring of 1934, the Torgsin Board developed new price criteria that sought to take into account as many of the diamonds' characteristics as possible—shape, color, flaws—and explained how to spot fakes. Diamond classification was based on weight and cut.

Appraisal of diamonds represented a more challenging task than that of gold or silver: even the most detailed instructions could not anticipate all the possible combinations of shapes and colors, as well as natural flaws, so an appraiser's skill was extremely important. At the beginning, Torgsin worked under the supervision of Koverkustexport's experts, but then this order was canceled, leaving Torgsin's appraisers solely responsible for errors. To stimulate their work, appraisers received high salaries and good food rations.[14] Due to the lack of specialists, the appraisal points in small towns were authorized to buy only small stones, up to one carat. Bigger diamonds had to be bought only at the appraisal centers in big cities where the more experienced specialists worked. The most valuable, or controversial, stones had to be sent to Moscow for an expert opinion. Their owners were issued paper receipts and had to wait months for a final decision, all the while not being able to purchase Torgsin's goods.

To prevent theft and fraud, instructions required that appraisers, right away, in the presence of the owners, put each purchased diamond in a separate envelope, seal it, sign along the seam line, and write the complete characteristics of the stone and its price on the envelope. Then appraisers had to personally hand the valuable envelope to a controller, where it had to be placed in a special sealed box. At the end of the workday, in a controller's presence, appraisers had to open the box, compare its contents with the registry, and then pack and seal a stack of the valuable envelopes.

Torgsin's appraisers were instructed by the board to preserve intact particularly valuable objects with precious stones. The government then sold them through Torgsin's antique shops to foreigners for hard currency. Whether the government believed that the highly valuable objects could be found only in large cities or did not trust the appraisers'

knowledge on the periphery is not certain, but only the torgsins in Moscow, Leningrad, Khar′kov, Kiev, Odessa, Rostov-on-Don, Tiflis, Baku, Sverdlovsk, Tashkent, Ivanovo, and Minsk received the right to purchase valuable objects with diamonds intact. The appraisers, nonetheless, with the permission of their owner, were to remove the diamonds for closer examination and then reinstall them.[15]

When purchasing a valuable object with diamonds intact, as the instructions show, Torgsin paid owners only the cost of the metal and gemstones, without taking into account the historical or artistic value of the masterpiece. Gold and silver in this case were paid based on Torgsin's established purchasing price, while the situation with platinum was not that clear. Rozengol′ts, in a draft decree at the beginning of the platinum operation, proposed to set the price of platinum at half the price of gold—64.5 kopecks per gram of purity.[16] However, the earliest order of August 1934 required that platinum be purchased at the same price as gold. A month later, in September 1934, a new directive demanded that platinum objects be purchased at seventy-two kopecks per gram of purity, which is significantly cheaper than gold's purchasing price.[17] According to the practice established by November 1934, however, the owners of diamonds framed in platinum were not paid specifically for the metal at all; appraisers just increased the objects' purchasing price by anywhere between 3 and 10 percent of the cost of the diamonds in them.[18] A small price premium (2–3 percent of metal value) was allowed for exceptionally high-quality metal work if the platinum objects were bought by Torgsin intact. Owners received no payment for small emeralds, sapphires, rubies, and other gemstones that adorned platinum objects. Appraisers were forbidden to preserve intact objects with personal inscriptions at all. Probably, the presence of former owners' names made resale more problematic.

Torgsin's diamond operations were very profitable for the state at a cost to the owners of the valuables. Initially Narkomvneshtorg planned to establish a purchasing price for diamonds—on average, 40 percent below the world price—justifying this decision by the instability of the world market on precious stones.[19] There are reasons to believe that in the beginning the purchasing price was even lower than that. Appraisers, due to their lack of experience and to protect themselves from overpaying, even further understated the already low price. Even Torgsin's authorities considered the profit from the first months of the diamond operations "excessive." Thus Torgsin paid owners 340,000 rubles for diamonds bought from September 12, 1933, to January 14, 1934, while their resale

value was almost 2.5 times higher—802,800 rubles.[20] Soon the triumphant reports gave way to complaints about a drop in people's interest in Torgsin's diamond operations. In December 1933, the purchasing price for diamonds in Torgsin was increased by 50 percent, but even after that the gap between Torgsin and world purchasing prices remained significant—the average profit that the government received on diamonds constituted 50–60 percent.[21] Thus by March 1934, Torgsin paid diamond owners 672,000 rubles, while their market value, according to Koverkustexport, was 1.4 million rubles.[22]

People mainly brought small stones weighing up to one carat, but Torgsin's management believed that "in terms of mass mobilization of hard-currency valuables," the small diamonds were of no less interest than the larger ones.[23] Each diamond brought to Torgsin had its own story. A Tashkent case suggests one of a variety of ways by which valuables came to Torgsin.

In October 1934, in Tashkent, the capital of Uzbekistan in Soviet Central Asia, within a three-week period of time, an unknown person, through speculators, sold to Torgsin fifty-five hundred small diamonds weighing, in total, about 350 carats in return for the tremendous (in those days) sum of twenty-four hundred rubles. A Tashkent appraiser named Drabkin was alerted by the fact that all the diamonds had the same rare cut, known as American faceting (*gran'*). According to Drabkin, the cut originated in 1910, and not many such stones had been brought to the Soviet Union. Before the Tashkent case, only single stones of this cut had reached Torgsin's central diamond storehouse in Moscow. Also alarming was that stones of such high quality were unusual for the Central Asian market, where, according to the same Drabkin, merchants sold mainly flawed yellow diamonds. Drabkin sent to Moscow not one but three letters, which indicates how seriously worried he was, but he continued to accept the suspicious stones. The Torgsin Board informed the NKVD about the Tashkent diamonds in December 1934. It is not known whether the NKVD in Moscow took any action, but in May–June 1935 large numbers of diamonds with American faceting again appeared in Tashkent's Torgsin. This time, an unknown customer brought almost seven thousand diamonds, weighing approximately five hundred carats and received in return thirty-seven hundred rubles.

An investigation conducted by an NKVD representative in Uzbekistan and by Torgsin's inspector, who had "managed to win the trust of the Tashkent speculators," showed that the stones were brought by a local chauffeur named Sasha. He sold packages that contained thirty or sixty

diamonds to speculators swarming around Torgsin for a thousand and two thousand regular Soviet rubles. The speculators immediately sold the diamonds to Torgsin, then "earned a profit of about a thousand rubles, or more, per package" by selling Torgsin's money and goods on the black market. The case also featured Sasha's wife, as well as his brother and mother-in-law, who worked as a cashier in a local cafeteria. Sasha could not be found. According to the speculators, he "reveled much" and was arrested in Moscow, allegedly for embezzlement, although later, it was said, he was released due to the lack of evidence.

What exactly happened to the chauffeur Sasha and his entrepreneurial family and where the diamonds with the American faceting came from remain not entirely clear. A. M. Bruk (pron. Brook), a specialist working at Torgsin's central diamond storehouse, however, made an assumption worth noting. According to him, it was impossible for a private individual own such a large amount of diamonds. The chauffeur Sasha was merely an intermediary. It seemed as if a state depository had been robbed, but which one? Bruk remembered that Gokhran, where he had worked in 1918–1926, stored similar diamonds. Where Gokhran got them, he did not know for sure, but he suggested that the stones had been wrenched out of objects that used to belong to the "tsar's court or the Bukhara emir." Indeed, after the revolution, piles of confiscated treasures that once belonged to the royal family, church, nobles, and museums passed through the hands of Gokhran "masters," who disassembled valuable objects by removing precious stones and pearls from them. Silver and gold went to Narkomfin, while gemstones and pearls were taken for sale abroad or to the State Diamond Fund, which was largely created precisely by such methods. Photographs of the time show Gokhran employees at work: heads bowed, tables covered with awls, scissors, chisels, scales, and boxes containing broken tiaras, crowns, and assorted gem-stones and pearls.[24] Such diamonds, Bruk argued, had been used by Fabergé, although not in such large quantities.[25] If Bruk's assumption is true, then someone robbed Gokhran and made the government buy diamonds that were, in fact, state property.[26]

Torgsin's diamond operations, cautiously launched in August 1933, gained momentum. By the end of the year, Torgsin had bought diamonds worth 446,000 rubles (table 15).[27] The encouraging results of the first months led a rather large procurement plan for 1934: 7.3 million rubles or about 7 percent of Torgsin's entire hard-currency plan for the year. The Russian Federation was to provide the lion's share of 4.8 million rubles, including 2 million from Moscow and 1.5 million from Leningrad.[28] The

original plan for Ukraine of 550,000 rubles was raised to 1.3 million.[29] The Transcaucasian republics in 1934 were to procure a million rubles' worth of diamonds and Belorussia 250,000 rubles.

Complete data on the execution of Torgsin's 1934 diamond procurement plan have not been found, but the results for the first half of the year—only 23 percent of the plan—indicate failure. As with silver, the extremely low results compared to the planned targets were due to the late onset of the operations. Torgsin's chief henchman—the mass famine—was over and could not help. The Russian Federation, in the first half of 1934, although ahead of other republics, bought diamonds for only 671,000 rubles, more than 80 percent of which came from Moscow and Leningrad.[30] The Ukrai nian offices delivered only 107,000 rubles in diamonds; the Transcaucasian branch provided another 63,000. Uzbekistan, the only Central Asian republic where Torgsin conducted the diamond operations, produced 18,000 rubles, largely thanks to the chauffeur Sasha. Torgsin in Belorussia, in the first half of 1934, bought only 4,500 rubles' worth of diamonds.[31] If we extrapolate the results of the first half of the year through its end while keeping in mind that the delivery of diamonds to Torgsin, like that of other valuables, decreased with the normalization of the country's food situation, the total procurement of diamonds by Torgsin in 1934 is unlikely to exceed three million rubles (table 15).

Due to the low 1934 results and general decrease in Torgsin's activities, the 1935 diamond plan was modest—2.5 million rubles or about 6 percent of Torgsin's total annual plan.[32] However even this plan failed. In 1935, Torgsin procured only 1.6 million rubles in diamonds (all calculations are in purchasing prices). On average, during the three first quarters of the year people sold diamonds worth 200,000–300,000 rubles per quarter. The last quarter, when Torgsin bought diamonds for 775,000 rubles, was an exception. Spreading rumors about an eminent end of Torgsin made people rush to surrender their valuables. This time, however, they acted not in response to mass famine and despair but rather out of fear of losing the opportunity to purchase the desirable goods offered by Torgsin. Among regional offices, according to available data from the first half of the year, Moscow and Leningrad were the ultimate leaders, procuring diamonds worth 243,000 and 186,000 rubles, respectively.[33]

According to preliminary estimates (table 15), in 1933–1935 Torgsin bought diamonds from the population worth no more than five million rubles, less than 2 percent of the total amount of valuables procured by

Torgsin (in purchasing prices). None of its annual diamond plans were fulfilled. The "diamond" opportunity thus was not fully realized because the best time for pumping valuables out of the population—the famine—was missed. However, the country's leadership had no reason to complain, because those diamonds were sold on the world market at prices at least twice as high as those Torgsin paid to their former owners, and the Soviet government received from the world market not rubles or Torgsin's paper bonds but the foreign currency so needed for industrialization.

It is much more difficult to assess Torgsin's results on the platinum purchasing operation, which was viewed as secondary and, as such, has left little source material. However, some assumptions can be made. The final report states that Torgsin procured silver, diamonds, and other precious stones, as well as platinum for seventy-one million rubles (based on Torgsin's purchasing prices). Given that Torgsin spent about forty-one million rubles on silver, about five million rubles on diamonds, and that payments for other gemstones are unlikely to have exceeded a few million rubles, purchases of platinum would account for a little over twenty million rubles, or about thirty tons of pure metal.[34] Not too bad, especially when one considers that the Soviet government sold this platinum on the world market at much higher prices than Torgsin paid to the former owners of the valuables.

Chapter 10

Send Dollars to Torgsin!

Money transfers from abroad had been coming to Russia from time immemorial. In the last prewar year, Russia received remittances worth about forty million rubles. Transfers continued to arrive under the Bolsheviks. In 1928, they amounted to about thirty million rubles.[1] Then the flow dried up dramatically: according to Gosbank and Vneshtorgbank, in 1930, transfers from abroad brought in no more than ten million rubles, and, in 1931, even less.[2] One reason for the sharp decline was the world economic crisis, which hit immigrants hard via unemployment: Russian émigrés who helped their relatives in the USSR were the major source of the foreign remittances.

The situation had changed within the USSR as well. Due to an acute hard-currency shortage for the needs of industrialization, from the late 1920s, the state began to cut back hard-currency payments on money transfers from abroad in an attempt to turn private remittances into state revenue. It became more difficult for people to obtain "effective currency" such as dollars, pounds, and other foreign money through transfers. Instead, Gosbank offered to pay out transferred funds in rubles based on a forced exchange rate.[3] In this situation, people increasingly began to abandon transfers, seeking to gain hard currency by bypassing banking channels: through the mail or by smuggling. The tightening of hard-currency regulations became a loss for the Soviet state—the number of abandoned transfers grew and much-needed hard currency had to be returned to Western senders.

In the early 1930s, the Soviet government faced a dilemma of how to increase hard-currency transfers from abroad while not paying even a cent in foreign money to recipients in the USSR. The mass famine and Torgsin prompted a solution: pleas for help from the starving forced their relatives abroad to send money to the USSR, but instead of foreign currency, the recipients received Torgsin rubles and were forced to buy goods in its stores at high prices. All hard currency from foreign remittances went to the state. Torgsin became a truly ingenious solution to the crisis of foreign-currency transfers.

Grassroots activities accelerated the development of hard-currency transfer operations in Torgsin: as soon as rumors spread in the summer of 1931 that it would sell goods to compatriots, people began to request banks to forward their foreign-money transfers to Torgsin, causing panic in Gosbank's local offices.[4] Without any sanction from above, Narkomfin had to grant Gosbank permission to transfer remittances to Torgsin. In August 1931, these operations were already in full swing, while official permission on this matter came only in September.[5] Soviet trade missions abroad started advertising these new operations. It was hunger, however, rather than advertising, that spurred the growth of hard-currency transfers. The call "Send dollars to Torgsin!" was not so much a line from an ad as a cry for help. Due to rumors of raging famine, Torgsin's fame abroad grew quickly.

At the beginning of the new operations, the recipients of money transfers from abroad had exceptional status in Torgsin: they bought goods in special stores at lower prices than other customers. The reason seems to be that Torgsin did not yet have a monopoly on parcel services. Foreigners could still buy goods abroad and send parcels to the Soviet Union through a foreign agency or firm. Due to this competition, Torgsin had to adhere to Western market prices, which were lower than the prices of goods in Torgsin. The more Torgsin monopolized the parcel and money transfer operations, the fewer privileges Soviet recipients of money transfers from abroad retained.[6]

Early on, the network of agents who accepted money transfers for Torgsin was motley and confusing. Torgsin, Vneshtorgbank, and Gosbank made agreements with Soviet trade missions abroad, as well as with Gosbank's foreign branches and joint-stock companies in which the USSR was a shareholder; and they, in turn, signed agreements with foreign banks, steamship and travel companies, department stores, and charities for admission of money transfers to Torgsin. In addition, foreign banks and firms had their own network of agents who advertised Torgsin and

accepted money transfers to its account.[7] The development of the operations was accompanied by an interinstitutional struggle. Gosbank and Vneshtorgbank, who charged a commission on the organizations abroad that accepted money transfers for Torgsin, believed that hard currency should pass exclusively through their own banking channels. Torgsin, in turn, tried to get rid of intermediaries and fought to abolish the commission.[8]

The result of the uncontrolled and rapid growth of agent networks was that many Russian émigré firms penetrated the network of Torgsin's partners engaged in money transfers to the USSR.[9] Their hostility to the Bolsheviks did not prevent them from making a profit at the Soviets' expense. In neighboring countries—Finland, Poland, the Baltic states—as well as Paris and Harbin, where a significant number of Russian immigrants settled, émigré newspapers were full of advertisement promises: "Money transfers to Russia based on the true value of a chervonets and conducted by legal means." Frank confessions of smuggling—money transfers to Russia based on the exchange rate of "twenty-three francs for a chervonets by legal means, twenty francs for a chervonets by private [illegal—E.O.] means"—coexisted side by side with warnings: "Be aware that by using the services of institutions or individuals little known to you, and not risking anything yourself, you may, quite unwillingly, get your loved ones in Russia into trouble."[10]

To fight the chaos that reigned in the agent network, the Torgsin Board tightened its control. The Soviet trade missions abroad began to collect information not only on the economic viability but also on the political loyalty of their partners, ending relationships with those who had compromised themselves with dishonesty in business and anti-Soviet sentiments.[11] A report by the Soviet trade mission in Paris illustrates the methods used by Torgsin and gives us a sense of its business partners during the initial stage of the new operation:

> In response to your request, we report that Banque Comptoir du Centre is a White guard *banchok* [a pejorative form of the word "bank"—E.O.] engaged in various small speculations. . . . This bank has three to four employees and belongs to an émigré, Zil′bershtein. As an additional characteristic of this "bank," we give the following episode: recently, a group of the bank's "clients" in its office had beaten up its directorate (obviously due to inappropriate "business"), what is more, Zil′bershtein was stabbed in the neck with a knife. Zil′bershtein's son owns another *banchok*

— Banque Industrielle du Centre, which is also now engaged in collecting money transfers to send to Torgsin.[12]

In addition to cleansing the agent network, the Torgsin Board centralized money transfers from abroad. Soviet trade missions had to stop accepting money for Torgsin. The board demanded limits on the network of foreign agents to major banks, thus recognizing the priority of banking channels under the supervision of Gosbank and Vneshtorgbank. To stop "speculation around money transfers," the board forbade its Department of Foreign Operations to negotiate directly with foreign companies (travel and steamship agencies, etc.), which in the beginning actively advertised Torgsin abroad. Torgsin, however, retained the right to enter, through the Soviet trade missions, into agreements with Soviet and foreign banks abroad for transfers to its account. From the autumn of 1934 onward, Torgsin began to pay a commission dependent on the amount of the transfers.[13] Torgsin's Soviet partners abroad, among other tasks, were charged with economic espionage: they had to report on companies competing with Torgsin.

Torgsin's foreign partners, unlike Soviet banks and Soviet joint-stock companies abroad, did not obey Moscow's orders, which created problems. Thus, up to the middle of 1934, US banks charged fifty cents for a money transfer of up to five dollars. An attempt by Torgsin to make its partners reduce the rate to forty cents failed because of the US banks' resistance. Only the Soviet joint stock companies Am-Derutra and Union Tours, which were dependent on Moscow, obeyed.[14] In response, the US banks immediately demanded that "strikebreakers" be punished. In 1934, trying to stimulate money transfers, Torgsin demanded a rate reduction to twenty-five cents per transfer of up to fifteen dollars, but the US banks began to fuss. In the Soviet system, an order from above would have solved the problem, but Torgsin could not dictate to a free market. Not being able to influence the position of major foreign banks and firms, Torgsin could do nothing but abandon their services.[15]

Through an extensive network of agents and subagents Torgsin penetrated not only major centers but also the remote provinces of many foreign countries. In 1933, twenty-four organizations worked for Torgsin in the United States and Canada, and by the first half of 1935 their number exceeded forty.[16] In 1933, Amtorg advertised Torgsin in seventy-five US cities.[17] In 1935, Torgsin's representatives in the United States adopted an innovation—radio advertising. Torgsin's foreign partners expanded the network of subagents on the periphery. For example, the

Canadian Pacific Express Company had two thousand of its own agents, who took money transfer orders from the public. Through subagents of its US partners, Torgsin's business reached as far as Cuba and Mexico.[18]

Soviet citizens could utilize the money transferred to Torgsin in their names in different ways. In the case of an unspecified transfer, they could buy products of their choice. Specified transfers were payments made by relatives and friends abroad for standard parcels offered by Torgsin's price list.[19] Torgsin pledged to deliver the parcels to requested addresses and on time. The specified transfers were especially important for those people who lived in localities where there were no Torgsin stores. Torgsin's parcel service thus was closely related to money transfers from abroad.

The Soviet state, from the first years of its existence, sought to control the flow of parcels from abroad by establishing a state monopoly on external parcel operations. In practice, this meant that the right to accept parcels abroad to be sent to the USSR belonged only to those who had a license from the Soviet government. Before the establishment of Torgsin, besides customs, the organizations in charge of foreign parcel services included Sovfrakhttransport and Sovtorgflot. The former issued licenses to foreign firms; the latter provided transportation. Two days after being granted permission to receive money transfers from abroad in September 1931, Torgsin took over parcel service from Sovfrakhttransport.[20]

Parcels from abroad provided an important source of state hard-currency revenues composed of customs duties, postal charges, and commission fees. Of these, the customs duties were the most lucrative. In fact, they were so high that the government preferred not to publicize them. In December 1931, the head of Torgsin's parcel service, I. Ia. Berlinskii, wrote to a Sovfrakht-transport office in Paris: "Charging duties in foreign currency in no case should be decrypted before anyone, and these duties have to be taken in the form of a premium charged on every individual item [in parcels—E.O.]."[21] Due to the astronomic customs duties, a parcel's total cost exceeded the value of included goods by several times. For instance, a parcel from Riga containing women's shoes and two pairs of wool stockings with a total value of about 54 rubles and 75 kopecks cost 112 rubles and 30 kopecks, while a parcel with a teddy bear and a pair of children's shoes bought for 65 rubles and 60 kopecks cost 134 rubles and 50 kopecks after adding customs duties and other fees, thus equaling the monthly salary of many Soviet workers in the early 1930s.[22]

In the 1920s, the USSR regulated the quantity of parcels coming from

abroad and established norms on the items sent. Basic food staples and basic necessities of life were licensed and placed under special control to protect domestic producers. Unlicensed items included goods of secondary importance and luxuries.[23] However, in response to hard-currency and goods shortages, in 1931, the government adopted a series of measures that made it easier for Soviet citizens to obtain goods for personal consumption from abroad, especially food. Norms on the items sent in parcels were abolished.[24] The procedure for paying customs duties changed as well: until the autumn of 1931, duties had to be paid by recipients in the USSR, but after that by those sending the parcels. The new order benefited not only Soviet people but also the state, which could now receive fees paid in much-needed foreign currency.[25] Besides, tariffs and customs duties set by Sovnarkom on personal parcels were lower than on those ordered by organizations. Relatively low (35 percent of the total value of the parcel) customs duties were charged on flour, rice, and groats.[26] Narkomvneshtorg also asked for permission to let in parcels from abroad containing secondhand goods, which had not been previously allowed. The request came from abroad: in the midst of economic depression and unemployment, it was easier for émigrés in the West to share used things than to send new ones to the USSR. Foreign senders even agreed to pay duties on secondhand goods as if they were new.[27]

The émigré newspapers in New York, Paris, Berlin, Riga, Harbin, and Shanghai were full of advertisements placed by "entrepreneurial speculators" offering to send food parcels to the USSR. Taking orders at Paris's high prices, they then purchased goods and sent parcels from Riga or Berlin, where retail prices and postage fees were lower, and pocketed the difference. According to Soviet authorities, the speculators' profits could amount to a quarter of the parcels' value. The creation of Torgsin posed a threat to this flourishing business. Foreigners could simply transfer money to Torgsin, leaving it to their loved ones in the Soviet Union to choose for themselves from the goods and foods in its stores. With the appearance of Torgsin, the flow of parcels from abroad fell. According to the head of Torgsin's parcel service, the "White Guards" abroad responded by agitating against Torgsin.[28] Demands to boycott Soviet goods exploited the émigrés' ideological sentiments. A leaflet titled, "The Russian Shame," issued by the Russian Imperial Union, settled in Paris, demonstrates the gastronomic dimension of the political struggle:

> Russian people! Do you know how you are helping the Chekists? During the last year of 1930, you brought eighteen million francs to the Soviet trade mission by buying Soviet products. This money goes to fund the GPU in France. . . . Every franc of yours is a bullet to the head of YOUR brothers, fathers, mothers, sisters, relatives, and friends. YOUR spinelessness, YOUR apathy and thoughtlessness strengthen YOUR enemy and make us doubt YOUR ability to fight for the Russia of which, in your words, YOU dream. . . . Each Crimean apple, each piece of sturgeon is soaked in Russian blood. Every Soviet product is ritual bread made of Russian blood brought to an altar of Satanic power. . . . There can be neither compromise nor excuse. All of you, everybody, should understand this. The large consists of the small; a Soviet herring today—a denunciation to GPU tomorrow. THEREFORE, Russian émigré! If you consider yourself an honest Russian—you will not, starting today, be involved in this disgrace. You will never buy anything Soviet.[29]

Torgsin agitated as well, although not with the customers but with the Soviet government, demanding that it stop issuing licenses to foreign firms.[30] The political reason—the large number of émigrés hostile to socialism involved in the parcel business—was important, but at that time, the hard-currency argument carried more weight. By limiting the ways of sending parcels to the USSR to Torgsin's channels, the state would receive a significant hard-currency effect: foreigners would pay both the shipment and the cost of Soviet domestic goods at prices established by the Soviet government. The truth was simple: it was much more profitable for the state to obtain foreign currency by selling bread and flour to the starving at home than to export foods for much less to a world market that was agonizing in the midst of depression.

Narkomvneshtorg undertook to replace parcels from abroad by shipping domestic foods and goods from Torgsin on receiving foreign currency transfers.[31] Realizing that an outright ban on parcels from abroad would be regarded in the West as a violation of international trade agreements, Narkomvneshtorg planned to get rid of foreign rivals by tightening its license issuance policy and imposing prohibitive customs duties. In November 1931, Narkomvneshtorg instructed the Soviet trade missions abroad to reduce operations on their contracts with foreign companies, so that foreign currency transfers would "wipe out and replace" parcels to the USSR from abroad.[32] In December, the head of

Torgsin's parcel service sent an order to Soviet agents abroad: "No longer conclude agreements on food parcels, only on nonfood at a prescribed nomenclature with reputable national firms."[33] Narkomvneshtorg asked the government to abandon the relatively low rate that had been established in the beginning of the 1930s for personal consumer parcels coming to the USSR from abroad and instead charge maximum customs duties on them.[34] The satisfaction of the state's hard-currency needs once again was to be achieved at the expense of the Soviet people.

Narkomvneshtorg cannot take the credit for being the sole author of the idea to replace overseas parcels with hard-currency transfers to a domestic trade company such as Torgsin. In July 1931, Eli Evelevich Magaram, who lived in Shanghai, wrote about the benefits of a parcel monopoly in a letter sent to Narkomvneshtorg.[35] After introducing himself as a Soviet citizen and man of letters, and referring to A. V. Lunacharsky,[36] who allegedly had known him, Magaram expressed concern about a heyday of émigré companies engaged in sending food parcels to the USSR. He wondered why the Soviet Union allowed its ideological enemies to profit when it was possible to take "precious currency" themselves. Magaram's suggestion was a forerunner of Torgsin's parcel operations. Indeed, Narkomvneshtorg would define standard parcels composed of Soviet domestic products, and foreigners overseas would choose, pay for, and send paper coupons for parcels for their relatives in the USSR. The Soviet recipients would need only to exchange the coupons for goods in any convenient store. These operations, according to Magaram, would bring to the Soviet state millions in foreign currency. In addition to the practical advantages, there were also political benefits—while helping their relatives, the émigrés would finance industrialization and strengthen the USSR. Food parcels would be turned into a political weapon.

While enumerating the benefits, Magaram missed one important reason in favor of replacing the overseas parcels with hard-currency transfers to a Soviet domestic trade organization. Under conditions of hunger and state monopoly of supplies, the Soviet government could assign much higher prices to domestic products than those of the world market or Soviet exports. In this regard, Narkomneshtorg was advised by another volunteer. The Soviet archives have preserved his anonymous letter. It is typed in a prerevolutionary font, which may indicate that its author, like Magaram, was an émigré who sympathized with the Soviet Union. He probably lived in Germany, because he calculated prices in German marks. Like Magaram, he offered to sell abroad orders for the

parcels that would be composed of domestic products in the USSR. To prove the profitability of the enterprise, he offered revealing statistics: a ton of flour that cost 206 marks abroad was three and a half times more expensive in the USSR—750 marks.[37] Being unaware of Torgsin, the writer named the trade enterprise that would sell parcel orders abroad the Company of Ordered Products (Obshchestvo zakazannykh produktov). He hinted that he himself might be willing to take over the operations. Both letters, Magaram's and the anonymous writer's, are in Torgsin's archive, so they were received.

The Torgsin Board and Narkomvneshtorg failed to persuade the country's leadership to entirely ban overseas parcels, but the astronomically high parcel customs duties made it more profitable for foreigners to transfer hard currency to Torgsin and order goods for their friends and relatives from its stores. With the beginning of Torgsin's parcel service, money transfers on its account largely replaced overseas parcels to the USSR. The money transfer and parcels service in Torgsin continued until it was closed. Western archives and foreign magazines of the first half of the 1930s have preserved Torgsin's price lists, money transfer blanks, and advertisements:

> "For Your Relatives In Russia—Three Torgsin Ways—All Perfect.
> Service A.—Orders on Torgsin in Dollars, for which your relatives buy goods at TORGSIN stores.
> Service B.—Orders for Goods which you select here from the official TORGSIN price-list.
> Service C.—Standard Selections [parcels—E.O.] prepared by us to save you the trouble.
> PROMPT SERVICE TO ANY PART OF SOVIET RUSSIA. Your Relatives Do Not Have to Pay Anything. No Duty—No Charges of Any Kind in Russia."[38]

Advertising of Torgsin intensified during the holidays, even if they were religious:

> "PASSOVER. A BAG OF FLOUR of the highest quality is a timely gift for the approaching holiday. SEND A TORGSIN ORDER to your relatives and friends in the Soviet Union via RADIO or CABLE. Prices compare favorably with those in America."

Advertisements used a harsh winter as a bogey:

> "A Torgsin Order will enable your relatives in the USSR to buy heavy clothing, shoes, underwear, foodstuffs. . . . These gifts will be doubly valued with the oncoming of the long Russian winter."

In the lean years of the first five-year plans, Torgsin's advertisements of parcel services used food as the major bait. Indeed, a bag of flour was then the best gift for a Soviet person, and it is no accident that advertisements printed the word "flour" in bold and capital letters. With an improvement of the food situation and the abolition of rations in the mid-1930s, Torgsin had to look for new temptations to attract overseas hard-currency transfers. New advertisements read: "Torgsin renders a number of services ordinarily not offered by department stores. For instance, it will undertake to provide the holder of a Torgsin order with vacations in health resorts and sanatoriums, purchase theatre tickets, arrange for the transport of household goods. . . . The rates charged for these special services are very reasonable. For instance, a month's vacation in Crimean resorts costs $65.00, in Kislovodsk, Zheleznovodsk and Essentuki in the Caucasus—$70.00, and in Sochi and Matsesta on the Black Sea—$80.00." What followed was a photo of a Black Sea resort and a promise that the Caucasus's beauty is in no way inferior to California's.

Advertisements' alluring promises and solemn assurances, however, could not fool a person familiar with the Soviet way of life. Money transfers and parcels arrived after being delayed for months or were lost all together. According to an official, more than 260 parcels sent in August 1933 to the USSR from Riga never reached their destination.[39] At the end of 1933, Torgsin's representative in the United States reported hundreds of unfulfilled orders from money transfers received in 1931 and 1932.[40] Torgsin sometimes simply did not have the goods ordered via money transfers, flour being the main item and the one in the highest demand. People had to wait; meanwhile the validity of their money orders—three months after discharge—was expiring. In order not to lose money they had to take whatever goods were available at the time. Initially, the remittance recipients could exchange money orders for goods in any Torgsin store, but after 1934 they became attached to certain shops, which narrowed people's choice of goods and produced a stream of complaints.

Curious incidents happened, worthy of a satirist's pen. In April 1932, one Sonia Leizerovna Gorelik came to a Leningrad torgsin and presented a money order that had arrived in her name from New York. Two months later, another Sonia Leizerovna Gorelik came to the same store. She

brought with her a letter from her New York relatives informing her that several months had already passed since they sent her a money order. It became apparent that the money order was delivered to the wrong Sonia Leizerovna Gore-lik. A Torgsin agent immediately went to see Sonya Gorelik no. 1 at home. There he learned that she had already spent the money order to purchase two Torgsin plisse skirts, a jacket, and a piece of velvet fabric. Moreover, she had already worn the jacket. Torgsin took everything away—the skirts, the fabric, and even the worn jacket.[41]

Contrary to the advertisements' assertions, Torgsin's prices were not better than the prices for similar goods in the West. Torgsin's representatives abroad admitted this fact and asked to decrease prices in its stores.[42] Besides, to "increase the hard-currency effect," the Soviets calculated prices by manipulating the new gold parity established in the United States at the beginning of 1934: the official exchange rate in the USSR remained the same at 1.94 rubles per dollar—that is, 51–52 cents per ruble—whereas Torgsin's price lists in the United States in 1934 determined prices based on the rate of 86 cents per ruble.

The archives have preserved neither data on the total number of Torgsin parcels nor data on their summary value. However, the hard-currency effect of Torgsin's parcel operations is indirectly reflected by the amount of money transfers to Torgsin from abroad—46.7 million rubles (table 16). These data include money that arrived through Vneshtorgbank, where Torgsin had its account, and Gosbank, as well as orders and checks made payable directly to Torgsin. However, the hard-currency inflow was more than that, because money also arrived from abroad in "unorganized ways"—that is, hidden in packages sent by mail and by other means of smuggling. The Customs General Administration acknowledged a considerable range of such "transfers."[43]

The amount of foreign currency that came to Soviet people and, through them, to Torgsin by smuggling can be estimated only roughly. The total foreign cash brought to Torgsin during its existence (without money transfers) amounted to 42.4 million gold rubles or about 15 percent of all valuables purchased by Torgsin (table 27). Although this money contained some "legal" cash that foreigners in the USSR and Soviet people brought to Torgsin, to some extent these 42.4 million rubles indicate foreign currency smuggled into the country illegally.

Torgsin's records of money transfers were not kept in the international currencies—Polish złoty, US dollars, or Mongolian tugriks—but converted into rubles at the official exchange rate set by the Soviet government, which, in fact, allows us to compare amounts of money

transfers by year and country.[44] Money transfers to Torgsin began arriving from abroad in September 1931. Torgsin had easily exceeded the plan assigned for the remainder of the year by collecting 1.3 million rubles (table 16). An average transfer was around sixty rubles.[45] The money came mainly from the United States.

Torgsin's 1932 hard-currency plan called for a significant increase in money transfers, the major obstacle to its implementation being the Great Depression. In those years, life in the West was not easy, but despite their own difficulties people tried to help their friends and relatives in the USSR. In September 1932, Narkomvneshtorg noted that Torgsin received from seven hundred to eight hundred transfers from abroad daily.[46] However, foreigners mostly sent small amounts, so the overall result for the year turned out to be not significant—10.5 million rubles (table 16). According to the Soviet trade missions abroad, the lion's share of the 1932 transfers came from the United States: during the first half of the year, this country's contribution accounted for 40 percent of the total amount of money transfers to Torgsin.

In 1933, the Torgsin Board staked its success on the famine: the original plan for money transfers of fourteen million rubles was increased to eighteen million, but the expectations were not met. The revised plan was not fulfilled (table 16). The spring and early summer—the culmination of the famine—brought the highest amount of remittances.[47] The regions that, in 1933, attracted most of the money from abroad were Belorussia and Ukraine, especially its Vinnitsa, Kiev, and Odessa regions, where money transfers ranged from 25 to 50 percent of the total amount of valuables procured by local torgsins.[48] The average level in the USSR hovered around 12 percent. In 1933, the Ukrainian Torgsin received transfers worth 6.3 million rubles, which is nearly a half of all transfers received by Torgsin for the entire country! The remittances surpassed gold and made up the most (26 percent) in the total amount of valuables (worth 24.5 million rubles) procured by the Ukrainian offices of Torgsin in 1933.[49] For comparison, in 1933 the Moscow Torgsin received remittances for only 1.8 million rubles.[50]

The geography of the transfers was determined not only by the mass famine but also, to a large extent, by the destinations of those who emigrated from Russia, because money mostly came from relatives. The remittances to Belorussia and Ukraine were largely from Jews who emigrated from these regions to the United States and Canada before the revolution to escape the pogroms.[51] In 1932–1933, about 60 percent of the money transfers from the United States came from New York.[52]

Substantial aid, also mostly Jewish, in 1933 came from Poland and the Middle East.[53] Such regions as Kazakhstan, the Central Black Earth Zone of Russia, and other areas had been starving as well but were not connected through mass emigration to the West and could not count on substantial assistance from abroad.

In 1933, North America—the United States and Canada—was the absolute leader in the geography of remittances to Torgsin. Next, with a significant lag, came Germany, from where monetary assistance went mainly to the Volga Germans. Third place was occupied by France, with its high concentration of Russian émigrés who had run from the revolution and now tried to help their relatives and friends who remained in the USSR. China stood out as well, with money sent to Torgsin by "White Guard" immigrants and Soviet citizens who worked on the Chinese Eastern Railway (KVZhD).[54] The group of leaders in money transfers also included England.[55]

In 1934, Torgsin's officials hoped to receive an even greater amount in overseas transfers than in 1933 (table 16). It is difficult to say whether this hope was based on the expectations of new "food difficulties" or if the board failed to recognize that the growth of remittances in 1933 was extraordinary, that in an attempt to save their starving relatives in the USSR, émigrés afflicted with widespread unemployment sacrificed their own urgent needs. The 1934 plan was largely a replica of the 1933 results: Torgsin staked its success on émigrés in North America, Germany, France, England, and China.[56] The main recipients of the money transfers, according to the plan, remained Ukrainians and Jews in Ukraine and Belorussia, as well as the Volga Germans.[57] The good harvest and stabilization of the food situation in the USSR predetermined a failure of the 1934 plan (table 16). The largest drop occurred in transfers from North America. The plan correctly predicted the group of leaders in money transfers, although there were slight changes in the hierarchy, in 1934.[58]

During the decline of Torgsin's activity, and as the result of a sharp fall in the flow of precious metals from the Soviet population, overseas money transfers had to become the main source of hard currency for Torgsin. The 1935 plan called for fourteen million rubles, more than was received in the previous year (table 16). In the first months of the year, however, the infeasibility of these hopes became apparent. In 1935, Torgsin received only 9.7 million rubles in remittances from abroad, not meeting even the reduced plan. Together with the stabilization of the food situation in the country, the remittances from abroad stabilized as well—

no sudden bursts or sudden falls, quarterly, about 2.5 million rubles arrived to the USSR.[59] North America was still in the lead in 1935 (3.5 million), followed by France (800,000), Middle East (720,000), and Poland (70,000 rubles). Germany, which traditionally had ranked second after North America, already in 1934 gave way to Poland. In 1935, it swiftly dropped by a few more positions, losing now also to France and China, and equaling the Middle East in money transfers.[60] Why did this happen?

Unlike the Roman Emperor Vespasian, who allegedly once said that money did not smell, the Soviet leaders sometimes were concerned with an anti-Soviet "odor" coming from foreign aid. In the mid-1930s, the gold and foreign currency problem in the Soviet Union was no longer as acute as at the beginning of the decade, so its leaders could afford to be fastidious. In 1934, the government forbade Torgsin to accept money transfers from Germany and Switzerland that came to the Volga Germans through an organization called Brothers in Need. The ban was explained by the fact that the collection of money abroad was accompanied by anti-Soviet propaganda about the oppression of the Soviet Germans and the famine. The hard-currency desires of the Soviet leaders had its ideological limits after all. All money transfers from abroad coming through Vneshtorgbank and Gosbank had to be examined in Moscow to establish the senders' identities, and those that bypassed banking channels could be paid out only after the foreign agents provided information about the senders. After May 20, 1935, all such transfers were canceled.[61] Gosbank demanded that its offices not pay out transfers from Germany and Switzerland, and not even to notify recipients about the remittances that had arrived in their names. Party committees conducted work among the Soviet Germans to explain that the money was "Hitler's help." In the collective farms of the Republic of the Volga Germans, the NKVD organized show campaigns during which the peasants even if it came from their relatives. Those who refused to obey were expelled from the collective farms. In response, the Western media launched a campaign against sending money to Torgsin, citing numerous cases of forced rejection of remittances by Soviet citizens and persecution of those people who received money from overseas.[62] Thus the decline of money transfers from Germany in 1934–1935 came as no surprise to the Soviet government.[63]

After Torgsin stopped purchasing precious metals and gemstones in November 15, 1935, the money transfers from abroad along with the service provided to foreign sailors in Soviet seaports remained the only and last hard-currency operations it performed. The 1936 plan on

transfers was set at eight million rubles, which was half of Torgsin's entire hard-currency plan for that year. However, Torgsin closed on February 1, 1936. After that, money transfers continued coming to the USSR from abroad through Gosbank and Vneshtorgbank, which paid them out in regular rubles.

During its existence, Torgsin received in total almost forty-seven million rubles in transfers from abroad (table 16), which accounted for more than 16 percent of the total amount of valuables (in purchasing prices) procured by Torgsin. This money was enough to pay for the equipment imported for the Magnitka industrial enterprise.[64]

Torgsin's Time: The Rationing System in the USSR

Plate 1. The first day of buying bread with ration cards. Moscow, 1929 (Russian State Archive of Film and Photographic Documents in Krasnogorsk [RGAKFD]).

Plate 2. Bread queue. Moscow, 1929 (RGAKFD).

Plate 3. The meat section of the workers' restricted access store at the Stalin Factory. Moscow, 1932 (RGAKFD).

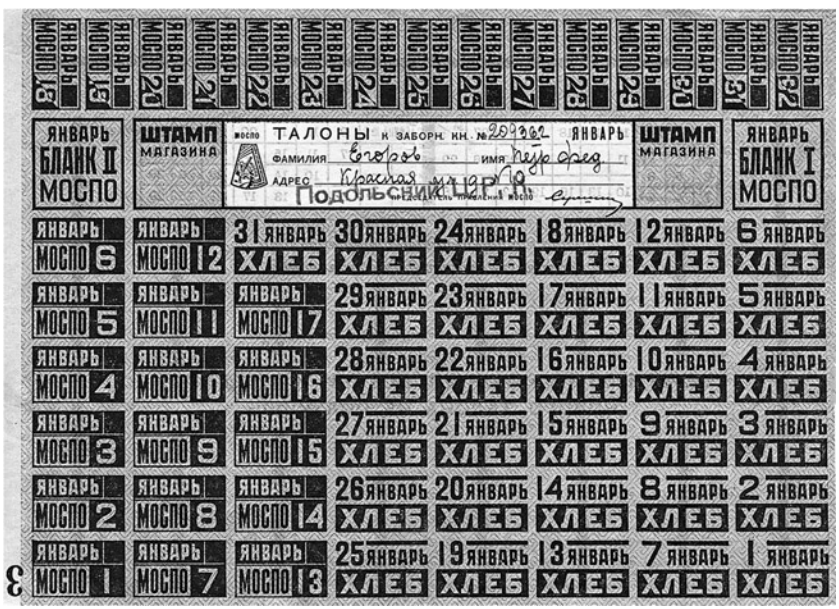


Plate 4. Ration cards. January 1930 (author's collection).

Plate 5. Workers having lunch at a factory cafeteria in the Volga city of Samara, 1932 (RGAKFD).

Plate 6. A restricted access distribution center for political police employees. Moscow, 1936 (RGAKFD).

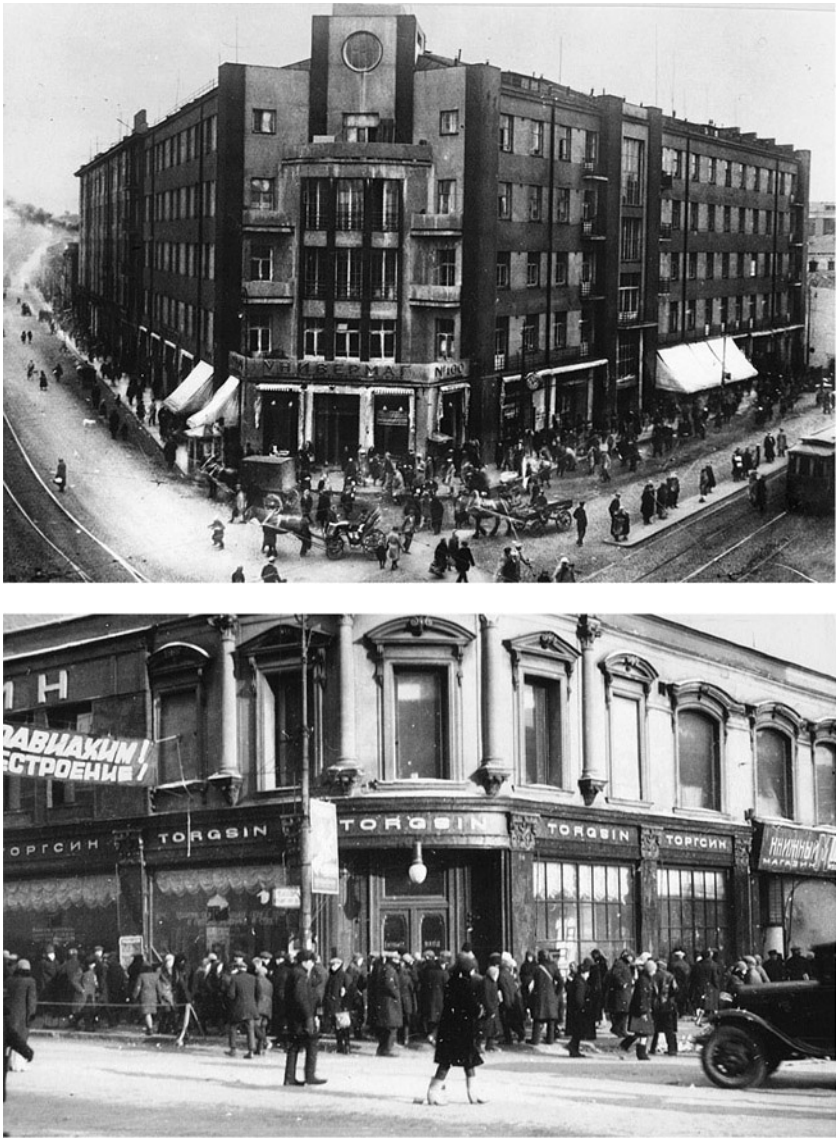
Plate 7. Peasants returning to their villages after selling milk and buying bread in the city. Moscow, 1929 (RGAKFD).

Plate 8. "Soviet bazaar: Speculators and secondhand dealers not allowed." Ivanovo, 1932 (RGAKFD).

Plate 9. Peasants selling milk. Donbass, 1932 (RGAKFD).

Plate 10. A peasant buying a coat for his daughter. Stalingrad. This propaganda photo was taken in 1933, when millions of peasants were dying from hunger (RGAKFD).

The Birth of Torgsin



Plates 11 and 12. The best of the country's torgsins. Upper photo: Torgsin on Smolensk Square in Moscow, which Mikhail Bulgakov immortalized in *Master and Margarita*. Lower photo: Torgsin in the center of Moscow, at the corner of Petrovka Street and the Kuznetskii Most (RGAKFD).

Plate 13. Torgsin in Odessa. This is probably Gol'dshtein's scandalous den (Branson DeCou, Digital Archive, University of California, Santa Cruz).

Plate 14. Ship chandlers' agency of Torgsin, Leningrad port. Postcard (author's collection).

Torgsin: Antipodes

Plate 15. Torgsin for foreigners. Antique store. Petrovka Street, Moscow, 1930 (RGAKFD).

Plate 16. A fur department in a Moscow Torgsin store. The photo was taken in 1932 on the eve of the mass famine (RGAKFD).

Plate 17. Torgsin in Putivl′, Ukraine. Notice the appraiser's table with scales on the right (Putivl′ Museum).

Plate 18. Torgsin in Putivl′, Ukraine, 1933–1934 (Sumy Regional Museum).

Plate 19. Famine. Bread queues outside Torgsin. Khar′kov, Ukraine, 1933. A

unique photo from the “Red album” by the Austrian engineer Alexander Wienerberger, who worked at a chemical enterprise in Ukraine during the mass famine and was able to smuggle the negatives abroad through diplomatic mail (Central State Archive of Film, Audio, and Photographic Documents of Ukraine [TsDKFFA of Ukraine]).

Artifacts from Torgsin

Plate 20. Torgsin's gold kopeck (author's collection).

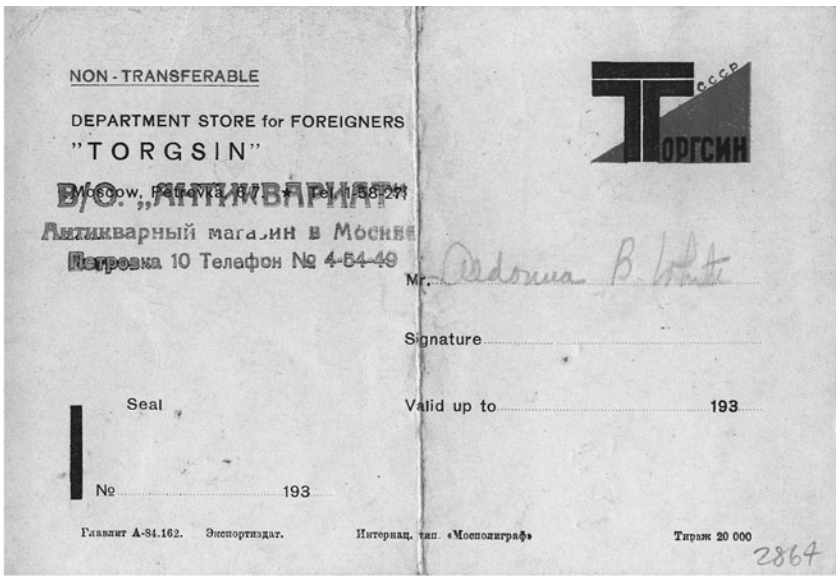


Plate 21. The customer's card of Aldonna B. White, which attests to the purchase of two heating pads and a tablecloth from Torgsin (author's collection).

Plates 22a and b. Tsarist gold coin

People of Torgsin

Plate 23. Artur Stashevskii, the head of Torgsin during the mass famine (RGASPI).

Plate 24. Arkadii Rozengol'ts, people's commissar for external trade, who supervised Torgsin, 1933 (RGAKFD).

Plate 25. Torgsin employees in Tiumen′ (Siberia), 1934 (Mykola Horokh's collection).

Plate 26. I. I. Gordeev, Torgsin's representative in the United States. Notice Torgsin's advertisement—"Orders accepted here"—on the table, 1934 (author' s collection).

Finale

Plate 27. Valuables bought through Torgsin paid for imports during the first five-year plans. Industrial equipment imported from the United States. Leningrad port, 1931 (RGAKFD).

Plate 28. The last customer in Torgsin. A big poster reads in Russian: "From February 1, 1936, all Torgsin money is considered canceled and the operations on it completed. Administration." Moscow, 1936 (RGAKFD).

Part III

Everyday Life in Torgsin

Chapter 11

What's for Sale?

Up to this point, the book has discussed treasures that people brought to Torgsin. The time has come to see what they left its stores with. Contrary to the stereotypical view of a luxurious store, a dusty flour shed serves as a more accurate image for the majority of shops within Torgsin trade enterprise.

Throughout its existence, Torgsin underwent several transformations. Before it opened its doors to Soviet buyers, Torgsin was a souvenir and antiques shop for foreigners. Its trade volumes were insignificant: in 1931, it sold goods for only 6.9 million rubles.[1] After Soviet consumers were allowed into Torgsin, its trade skyrocketed (table 17). The commodity structure of sales began to change as well. In the first half of 1931, food products accounted for 80 percent of Torgsin's sales. However, that did not yet indicate famine. At that time, Torgsin's main operation was to provide for foreign ships in Soviet seaports, and the captains ordered mostly food supplies for their crews. In the second half of 1931, with the appearance of Soviet buyers in Torgsin, the share of food products in its sales initially fell sharply (down to 20–25 percent),[2] because Torgsin stores initially opened only in major cities that enjoyed priority state supplies and where the inhabitants did not yet feel the full impact of food shortages.[3] In 1931, the countryside did not yet know about Torgsin. The assortment of Torgsin's goods favored by Soviet people in the second half of 1931 reflected a border line between a relatively good although already shaky urban welfare and advancing problems with food. Along with

footwear, knitwear, dresses, underwear, and textiles, flour and sugar were in high demand.[4]

The 1931 results suggest that Torgsin potentially could have turned into a chain of elite urban hard-currency department stores if famine had not occurred. In 1932—the first year of mass famine in the USSR—the share of food sales in Torgsin increased from 47 percent (first quarter) to 68 percent (fourth quarter).[5] In the regions populated predominantly by peasants who had been stripped to the skin by state procurements, the share of food in Torgsin's sales was even higher. In May 1932, Bashkiriia, for example, reported that flour accounted for 80 percent of local Torgsin sales; other goods sold poorly.[6] In the North Caucasus in December 1932, there was demand only for flour, groats, vegetable oil, and sugar. "A vast number of people," mostly peasants who came exclusively to buy flour, the report read, had crowded Torgsin's stores; "manufactured goods had recently aroused almost no interest at all."[7]

According to a joint commission of the Central Control Commission (TsKK) and People's Commissariat of Workers' and Peasants' Inspection (NK RKI, Rabkrin) that checked Torgsin's work at the end of 1932 and the beginning of 1933, the excessive demand for food was the result of an incorrect pricing policy—manufactured goods in Torgsin cost too much while food prices, in inspectors' opinion, were too low. The commission recommended an increase in food prices and issued an optimistic, though unrealistic, sales plan for 1933 in which shares of food and manufactured goods were to be almost equal (55 and 45 percent, respectively).[8] In line with this recommendation, the Torgsin leadership increased food prices in early 1933, but consumer demand did not change. On the contrary, in the first quarter of 1933 the share of food in Torgsin's sales rose to 85 percent. Bread and grain products accounted for more than 60 percent of all food sold in Torgsin in the winter of 1933![9] A comparison of the predominantly peasant Western (Smolensk) office with the urban Leningrad office of Torgsin reveals that in both cities and countryside, food led sales.[10] People exchanged valuables mostly for flour. The NK RKI commission that conducted the inspection of Torgsin summed it up: "If there are no flour and groats, then there is no queue."[11] Famine was responsible for the abrupt growth of Torgsin's food sales, but officials stubbornly insisted on attributing the trend to pricing policy. In 1932, people spent over fifty million rubles in Torgsin (table 17). At that point, Torgsin's regional network was still in formation; if it had been more developed, then Torgsin's sales during that starving year could have been considerably higher.

The 1933 sales target—one hundred million rubles—clearly counted on the continuation of mass famine. At the beginning of the year, Torgsin's deputy chair Azovskii cynically bragged that no other organization had "such favorable conditions for work as Torgsin had."[12] The tragedy turned out to be greater than the frighteningly bold plan's targets suggested: in 1933, Torgsin's sales reached a record of 106.5 million rubles (table 17). In that terrible year, the lucky ones were those who had something valuable to bring to Torgsin. Food accounted for more than 80 percent of all goods sold by Torgsin in 1933. Flour, mostly cheap rye and low-quality wheat, led the way, accounting for more than 40 percent of Torgsin's total food sales in 1933.[13] According to incomplete data, in 1933 people carried out from Torgsin about 235,000 tons of flour, 65,000 tons of groats and rice, and 25,000 tons of sugar. Sales of "delicacies" and "luxurious" goods were low: in 1933, Torgsin sold caviar and fish products for only 1.1 million rubles (a little more than 3,000 tons), fruits worth about 0.6 million (1,700 tons), silk fabric for about 0.8 million, footwear for 2.7 million, furs and wine for 0.7 million (each), and antiques for only 0.3 million rubles.[14] A few luxurious torgsins in major cities were oases amid thousands of unsightly shops trading mainly in flour. Desperate cries to send more flour flew to Moscow from all the regions. Sales could not keep up with the demand of the starving. Directors of Torgsin's stores, everywhere, explained their failure to fulfill sales plans by insufficient flour supplies. The fact is that sales of flour and other food staples in Torgsin during the mass famine were constrained not by consumer demand but by inadequate state supplies.

Famine began to subside with the arrival of summer and ended with a good harvest. Torgsin's statistics reflect the normalization of the food situation: throughout the country, the number of people who sold valuables to Torgsin decreased, while the average worth of valuables brought in per person rose, indicating a growing proportion of better-off customers seeking to buy expensive, elite goods, and not driven to sell their last possessions out of a desperate need for food.[15] Torgsin's employees illegally began to include in their rations wine, fruits, cocoa, and chocolate, which meant that bread and butter were no longer in short supply.[16] The commodity structure of sales changed as well. Flour sale targets in Torgsin were no longer met because the good harvest allowed the government to supply plenty of bread to the state commercial stores that traded in regular rubles, and in general the demand for food in Torgsin fell sharply. In the autumn of 1933, its food sales accounted for only 40 percent of the level in the spring.[17] Torgsin's authorities had to

sharply reduce food prices. As the famine abated, the demand for manufactured goods increased. In the predominantly peasant Smolensk region, a local torgsin reported in the winter of 1934 that in the last month it had unexpectedly sold two cameras, a bicycle, and a gramophone that had lain unwanted for one and a half years.[18] The hope that Torgsin could become a chain of model hard-currency department stores was revived.

Even though the famine was over, Torgsin received a very challenging 1934 plan target: to sell one hundred million rubles' worth of goods, almost as much as in the terrible year of 1933. Torgsin's authorities hoped to fulfill the plan by selling manufactured goods, however, the sales results of the first half of the year—thirty-four million rubles—signified failure.[19] For all of 1934, Torgsin sold goods worth 60.7 million rubles (table 17). As expected, the share of manufactured goods in the sales increased, but food continued to lead.

In 1935, the government abolished food rations. Free-access stores replaced the former restricted-access ration distribution centers.[20] Every where in the cities new, specialized stores for clothes and footwear, groceries, and model department stores opened. The peasant markets began to prosper. People now could buy bread, meat, groats, sugar, butter, and other products without sacrificing their heirlooms. The end of rationing and the development of a network of free-access stores further reoriented consumer demand toward goods that were not basic necessities crucial for survival.[21] In the urban torgsins buyers did not long for flour anymore but bought up fancy shoes, furs, gramophone records, paper filigree. People now brought valuables to Torgsin to buy jewelry and clothing accessories and, as reported by the Leningrad Torgsin, were not happy with simple ordinary buttons but looked for imported pearl ones. As the same report explained, the imported manufactured goods that long remained unsold during the lean years of rationing now were in demand and disappeared quickly.[22] More variety in the assortment returned: instead of just "meat," as in rations with no specification of kind and quality, stores now offered beef, lamb, "fat pork" or "pork of average fatness," Vienna sausage, Kraków sausage, Poltava sausage, Moscow sausage, and so on. Instead of featureless and general "confectionery products," there were different sorts of candies and chocolates—Fushi-San, Director's, Spring, Derby, Little Cat, and more. "Light-colored shoes" replaced unspecified "shoes"; "fabric" gave way to "lyonnaise," "drape," "boston," "crepe de chine," and "crepe georgette," all forgotten during the years of rationing. Intense demand for silk suitable for linings signaled

the revival of atelier tailoring.

All these developments indicated that the period of dusty flour sheds in Torgsin's history had ended. Torgsin was turning into a model hard-currency enterprise to serve elite consumer demand, but such demand could not be massive. Torgsin's semiannual 1935 report showed a decrease in sales of all goods except textiles and footwear.[23] According to preliminary and, apparently, slightly understated data, in 1935 Torgsin sold goods to the population for only 41.1 million rubles (table 17). For the first time, the sale of manufactured goods surpassed food sales (51 percent vs. 49 percent).[24] However, Torgsin's transformation into an elite hard-currency enterprise ended almost as soon as it began, terminated by Torgsin's closure.

According to its final report, from 1931 to February 1936 Torgsin paid 278.3 million rubles to people for their valuables but sold only about 275 million rubles' worth of goods to them (table 17). In other words, when Torgsin closed, the population still held unspent Torgsin money worth about three million gold rubles. Figuratively, it could be said that people gave the state more than two tons of pure gold for free.[25] With Torgsin's closure, the money it had issued turned into useless pieces of paper. Of course, even a single wedding ring lost in vain to Torgsin meant distress for a family, if not a lost chance to survive, but in statistics—which operate by hundreds of millions—the difference of three million rubles could be considered insignificant. Thus from a statistics perspective, by purchasing food and goods from Torgsin, its customers returned to the state almost all the money they received for family valuables.

This fact is not surprising. Torgsin's money was worth gold, not only because people sacrificed their heirlooms for it but also because it saved lives. Naturally, everyone tried hard to spend Torgsin's money quickly and to the last kopeck, especially because it had an expiration date. The period of the mass famine is especially revealing: the statistics show that in 1932 and 1933, contrary to common sense, it would seem, people spent more money in Torgsin than they received for their valuables (table 17). Perhaps this paradox reflects flaws in the statistics. In 1932–1933, Torgsin's network developed so rapidly that the accounting did not always keep up with it. Perhaps some carryovers from a previous year played a role. Yet another explanation is possible. The counterfeiting of Torgsin's money reached its climax during the mass famine. The year 1932 shows the greatest excess (more than two million rubles) of the amount spent by people in Torgsin over the amount they received for their valuables (table 17). At that time, Torgsin used paper coupons called

TOTs as its money, and they were easy to forge. To fight the counterfeiters, in early 1933 Torgsin moved to personalized booklets, which were better protected from forgeries.[26] If the excess of the amount that people spent in Torgsin over the amount they received for their valuables is due to circulation of counterfeit money, then one can assume that an *average statistical justice* prevailed: the counterfeits, to some extent, compensated for those valuables that people sold to Torgsin in vain, the money received for which remained unspent, useless.

The better-off year of 1934 showed a change in the ratio of received and spent money. By the end of the year, the population held a significant amount—more than five million rubles—of unspent Torgsin money (table 17), the main reason for this probably being "postponed demand." As the famine ended and Torgsin's consumers reoriented their demand from staples to delicacies and fashionable goods, people became pickier. Torgsin's customers were more reluctant to compromise in choosing between available and desirable. In search of desirable goods, they could postpone a purchase.

After Torgsin announced, in the fall of 1935, its imminent closing, people feverishly began to get rid of its money, because delaying a purchase now was risky. By mid-November the amount of Torgsin's unspent money that the population held decreased to 3.5 million rubles, half of which were concentrated in the two major cities, Moscow and Leningrad.[27] At the same time, in order to acquire the desirable goods available only in Torgsin, during the last months of its existence people actively brought in foreign currency (especially after Torgsin stopped accepting precious metals and gemstones), which explains the excess amount received by people for their valuables over the amount they spent in Torgsin in 1935 (table 17).[28] In February 1936, Torgsin officially closed, but some of its stores continued until the summer to sell goods to absorb its money retained by the population.

Chapter 12

The Patrons

"The fat, juicy flesh of a pink salmon," pyramids made of tangerines, ingenious structures built of chocolate bars in gold wrappers and other confectionery delights, "hundreds of different bolts of richly colored poplins," "shelves piled with calico, chiffon, and worsted," "racks full of shoes"—in such splendor Bulgakov presented, in his famous novel, a torgsin at the Smolensk Square in Moscow.[1] A contemporary called Torgsin "America in miniature." Those who survived famine in Ukraine described its stores as "great" and "plentiful." The myth of a splendid Torgsin lives to the present day. However, the overwhelming majority of torgsins were far from being splendid.[2] Furthermore, even in Torgsin's best stores in the capital, as inspections attested, the glossy facade often concealed Soviet trade's habitual lack of culture, neglect of customers, inefficiency, and mismanagement. The further one went from Moscow, the worse the situation became: small dirty shops with fights in long queues, widespread rudeness and boorishness; low-quality goods and unsanitary conditions. Here are some of the descriptions:

> Garbage and dirt. You cannot enter it without disgust, although the building is big and beautiful (Batum).
>
> A small, dark shop, which is not visited—not only by a foreigner but also by a local resident due to the risk of falling in rainy weather and hurting himself while descending from a steep hill to

the pit in which Torgsin sits (Vladivostok),

The room is dirty, a lot of dust, debris, cobwebs. The windows and glass in the vestibule are dirty. The goods on the shelves lie in a mess, some are on the floor (Sukhinichi).

The rural torgsins represent an example of ugly nasty management; both the exterior and interior views of the shops are not simply unattractive to customers but repel them; dirt, darkness, cold; goods lie in a mess in the mud (the Smolensk region).

In the shop window there are two typewriters and a bottle of vodka at the top (Ostashkovo, Western Region).

At the Alai bazaar, where valuables are accepted, the appraiser's window is made so small and so low that people have to kneel down (Tashkent).

The storefronts are not cleaned, goods are scattered on the shelves in disorder, there are crumbs, scraps of paper, cigarette butts behind and on the counter, windows and floors are dirty, dust is everywhere. Of our stores only the seaport torgsin achieved the desired results (Leningrad and the Leningrad region).

Dirt in the shops and rude attitude toward customers exist almost everywhere (Ukraine).[3]

As an embodiment of Soviet trade, Torgsin was full of contradictions: the pretentious mirrored doors and dirt were only one of them. An acute shortage of goods did not prevent overstocking, and not just because hungry people had little interest in expensive luxuries and delicacies. The state-planned distribution did not take into account seasons, specific demands, and ethnic peculiarities: stores received stocks of shoes but all of the same size or only for the right foot; silk and expensive foreign pianos went to poor villages where peasants had no use for them; children's swimsuits were sent to lumberjacks in the far north; Muslim republics were supplied with canned pork; Caucasian subtropics received winter boots. "They send us timber while forests are all around": this phrase from an archival document is an excellent metaphor of the Soviet distribution practice.

Acute shortages coexisted in Torgsin with enormous waste. There is not enough space to describe the tons of spoiled goods that went into the trash: moldy millet; sugar in dirty bags; decomposed meat; pasta infected with cockroaches; veal that had been refrozen several times; porridge of cheese and broken eggs (packed in one box); decayed geese; lard that was in storage for more than a year; rotten fruits in the window display; chocolate that smelled like a tallow candle; tea that absorbed the fragrance of perfume; petrified blocks of flour that had to be smashed with a sledge hammer; rusty cans; dusty caramel . . . Customers did not give up: they returned goods, demanding an exchange or a refund.

Delights and fancy novelties coexisted in Torgsin with a lack of the most basic and necessary things. Thus in Leningrad a torgsin boasted about sales of live fish from aquariums, while in a store around the corner there were no weights and employees used the one-for-all broken scoop to pack cereals. In one of the best Leningrad stores, known as the "pride of Torgsin," there were no simple vegetables—carrots, onions, garlic. One Leningrad torgsin sold perfume in fancy celluloid packaging, while another had no simple packing paper or packthread.[4] On the periphery the situation was much worse—sellers used newspapers (if there were any) to wrap purchases; with no scoop available, they packed sugar using "dirty and sweaty hands."[5]

Supply breakdowns—the scourge of Soviet trade—affected Torgsin as well, as numerous regional complaints show. For instance, the shelves of a torgsin in Nizhnii Novgorod (later Gor'kii) in January–February 1932 were practically empty, but in March–April the store became filled beyond capacity after Moscow sent fifteen hundred boxes and eight train cars of goods. The flour and sugar, of course, did not last long, but what a hassle there was! "Colossal queues lined up; the mounted militia had to pacify people," according to the complaint from Nizhnii Novgorod.[6] Torgsin received goods from the same meager state funds as the rest of Soviet trade, so when flour and sugar disappeared from state commercial stores, Torgsin did not have them either; as soon as, with a new harvest, Torgsin began to receive foodstuffs, they, as a rule, soon appeared in the non-hard-currency stores as well. Torgsin was slightly ahead but, by and large, "stumbled" together with the rest of Soviet trade.

Possession of Torgsin's money did not guarantee that customers could buy the goods they desired. Flour, groats, and sugar, being in the highest demand during the famine, quickly disappeared from the shelves. In Petrozavodsk, for example, at the end of August 1932, only pepper and mustard were available in the local torgsin. Kokand requested two wagons

of flour per month but received only thirty bags, which lasted for a day. The monthly need for rice was 1.5 wagons, while only forty bags were received in Kokand, which were sold in two days (May 1932). In the spring of 1932, the Kiev Torgsin reported that huge queues, in which people stood (and fought) for days and nights over the course of weeks, blocked streets and spread typhus.[7] That was just a prelude. When the mass famine struck, news about long queues that started lining up at 4–5 a.m. and chronic shortages became a common occurrence in regional reports. In big cities, the mounted militia pacified desperate crowds.

People tried to spend every Torgsin kopeck as quickly as possible, but often the goods they came for were not available, which reveals another of Torgsin's paradoxes—urgent needs coexisted there with postponed demand. In December 1932, the Khar′kov Torgsin owed customers goods worth seventy-six thousand rubles in money transfers, and fifteen thousand rubles for gold purchased from the population. The recommendation was not to reassure people about receiving any goods soon.[8] For that matter, a report from Central Asia (1933) noted that when an announcement was made that a city torgsin had received sugar and rice, people actively began to bring valuables in, but it turned out that the supplies were so small that the torgsin limited sales to only a kilo per person. This, by the way, is evidence that purchasing limits existed even in the hard-currency stores of Torgsin. It is no accident that peasants, who were particularly careful and practical, preferred to exchange valuables in Torgsin by small amounts at one time—for example, little pieces sawed off from gold objects.[9] The customers' situation was also complicated by the fact that Torgsin's money had an expiration date and was valid only within the city where the money was received.[10]

Under these conditions, people often had to take not what they needed but what was available. "I got neither groats nor sugar," a disappointed customer wrote, "but was forced to buy some fabric. However, there is no way to make a shirt out of it since they do not sell thread there. Fortunately, they gave me five kilos of flour."[11] A certain A. I. Mamon, from Samarkand, complained to the Torgsin Board that a local store director offered him use of a money transfer from abroad to buy honey, chocolate, and marmalade instead of the flour, sugar, and butter that had been ordered. Mamon probably liked chocolate, but the incident happened during the winter of 1933, at the peak of the famine, when people's life depended on bread. There was no flour, sugar, or groats in the Samarkand torgsin, and the director did not know when they would arrive.[12] Unwanted things—a compulsory assortment—were imposed on

buyers: to get flour or groats, people also had to take vaseline, combs, or soap powder that had been left sitting on the shelves.[13] Complaints were sent to newspapers and relatives abroad. A German consul protested against the compulsory assortment that consumed a significant part of the money transferred from abroad to starving Soviet Germans.[14]

During the famine, few worried about the quality of service. The starving withstood humiliation for a bag of flour, but with an improvement in the food situation, Torgsin began its "fight for the cultured socialist trade" by learning advertising, studying consumer demand, following fashion trends, and so on. Politeness and respect for customers, however, were not easy to obtain. Boorishness began at the stores' very entrance. "Our watchmen who stand at the doors," someone noted at an Uzbek Torgsin meeting, "are accustomed to pushing the public, as if they can't talk . . . they grab them by the belt and drag."[15] The ethics of professional behavior asserted themselves with difficulty in an economy of permanent shortages, where the salesman was a powerful figure and the buyer an ingratiating nonentity. Sellers who either did not pay attention to buyers' requests or complaints or threatened and ordered customers around were typical. "They work with shouts, fists, and curses," an inspection brigade reported.[16] In torgsins, as everywhere else in Soviet trade, the presumption of buyers' guilt reigned. Flirting, laughter, discussion of personal problems in front of buyers, smoking tobacco and drinking alcohol at work, taking long absences from the workplace—Torgsin's sales clerks lived their own lives. Torgsin was predominantly a male enterprise, so sellers in caps and hats smoking cigarettes were common, despite the board's bans. Buyers smoked in stores as well.

Torgsin—which was not just a few splendid stores in large cities but a phenomenon of a peasant country—did not become a model of "cultured trade," but despite all its flaws, it did take a step toward modern consumption. Torgsin tried to follow new trends. It introduced Soviet consumers to new services, opened up new products for them. Once popular romances and gypsy songs no longer attracted people, Torgsin sold records of jazz and tango, the demand for which grew rapidly. Knitted berets replaced women's wide-brimmed hats; comfortable tennis shoes called *torgsinki* became commonplace. A story about how the Turkmen people "discovered" laundry soap is indicative. As a Torgsin report claimed, at first, laundry soap was not in use in Turkmenistan, and Torgsin had to transfer its stocks to Uzbekistan, where consumers already knew about this product. Mid-1933 became a turning point, and the

Turkmen demand for laundry soap quickly began to outpace supply in Central Asia.[17]

To the disappointment of social historians, Torgsin's archives contain only scattered and fragmented descriptions of its clients. Nevertheless, the materials allow us to make some social and behavioral sketches of the consumer groups that frequented Torgsin.

As a Russian proverb has it, a fish rots from the head down. Members of the local nomenklatura (high-positioned employees of party committees, the local soviets, the courts and procuracy, the OGPU/NKVD) used their power to turn Torgsin into "their own" store. Despite prohibitions from Moscow, they received Torgsin's goods in exchange for Soviet rubles, or even completely free of charge. The practice reached such a scope that the central authorities had to take tough measures. In early 1932, the TsK VKP(b) and the TsKK Presidium issued decrees that forbade sales of Torgsin's goods for regular rubles to any organization.[18] The barter that had become widespread between Torgsin and local organizations was also banned.

The regional nomenklatura resisted these Moscow orders, insisting on elite exclusivity. Some justified their requests; others threatened and extorted.[19] Directors of the torgsins were afraid to disobey the local soviet, party, and OGPU bosses, who did not accept refusals and would immediately call one in "for a conversation." In June 1932, the head of Torgsin's Transcaucasian office, Askarov, complained to the Torgsin Board and the Transcaucasian GPU: "The deputy chairman of the Azerbaijan GPU, Comrade Shtepa, summoned the head of the Baku branch of Torgsin, Comrade Avanesov, and demanded that he be sold Torgsin's goods for regular rubles. When Comrade Avanesov refused, Comrade Shtepa resorted to threats, due to which Avanesov had to sell him goods." A note preserved in the archive lists the goods that Shtepa requested from Torgsin: "1. cigarettes of the highest quality—100 boxes; 2. pipe tobacco—10 boxes; 3. chocolate—50 bars; 4. French chocolate—10 boxes; 5. a variety of the highest quality candy—5 kilo; 6. Golden Anchor cocoa—1 box; 7. a variety of cookies—5 kilo; 8. biscuits—5 kilo)."[20] Apparently the Azerbaijan GPU prepared a banquet, and women were expected to attend. The head of Torgsin's Arkhangel'sk office, Lanovskii, complained to the chairman of Torgsin, Shkliar: "I . . . categorically forbade anyone to sell for rubles without my order. In an hour [!—E.O.] I was invited to visit 'our friends.'"[21] "Friends"—the local GPU—instantly reacted to the disobedience. It was no accident, then, that the local authorities tried to promote their own candidates as heads of Torgsin's regional offices. Reports on non-hard-

currency sales of Torgsin's goods to the local authorities, up to the complete squandering of stores, came from many regions.[22]

The local elite sought other means besides pleas and threats to get access to Torgsin. As one case from the Far East office of Torgsin shows, there were entrepreneurial people in the OGPU who decided to use the gold that was officially confiscated in the course of arrests and house searches to purchase goods from Torgsin. They acted not necessarily in their personal interest but on behalf of their organization—a strategy of institutional survival. Such practices, however, violated the principles of Torgsin. The Torgsin Board explained to its Far East office that the gold confiscated by the OGPU belonged to the state and could not be used in Torgsin, and that it accepted only valuables that were privately owned.[23]

This battle over Torgsin between the central and local authorities illustrates a conflict of their interests. The local nomenklatura sought to expand its personal and group privileges, while the center, in order to protect state interests, tried to limit the local authorities' attempts to expand their privileges. The country desperately needed hard currency, and the center did not want to squander export goods for regular rubles, even to meet the needs of the local authorities. In this case, therefore, the center placed the state's interests above corporate ones. The local authorities—who viewed themselves as a part of the ruling elite—evidently regarded the center's actions as a betrayal, a violation of group solidarity, and considered the response undeserved and dishonest, especially since the central leadership obviously did not intend to sacrifice its own privileges.

Foreigners also belonged to a privileged group of customers in Torgsin, although their special status was determined not by membership in the ruling elite but by the fact that they were always in possession of hard currency. There was a hierarchy among foreigners, though. For the diplomatic corps, the Soviet government opened special torgsins with restricted access. These stores had to fulfill not only an economic but also a political mission. In November 1932, when servicing of the diplomatic corps was transferred from Insnab to Torgsin, its board sent a special telegram obliging regional offices "to organize sales of herbs, meat, milk, and dairy products" and "to provide the best service" in the torgsins for diplomats.[24]

Stores for the diplomatic corps, indeed, were among the best in Torgsin, but even the "best" in the Soviet 1930s was often unsuitable for Western consumers. In Moscow and Leningrad, the situation was relatively good, but the German consul in Vladivostok complained to

NKID that sometimes the only fresh meat in the local torgsin was pork, which, however, was always fatty and "not suitable for eating." Consuls refused to buy frozen meat, but "fresh meat, especially fresh veal," was not available in the torgsin. As the consul wrote, there was no fresh game (pheasants, wild ducks, deer, hares), which were procured in large numbers by professional hunters in Vladivostok's vicinity; nor were there chickens or fresh fish of any kind. The consul continued his sorrowful list. There were geese on sale, but they were not gutted and "so poorly frozen that they smell and taste bad." Butter, because of its poor quality, could be used for cooking but not "for the table." Truly, what was good for a hungry Soviet citizen was not good for a well-off German! A significant portion of products—white flour, groats, rice, fats, sugar, sausage, and even vegetables—the German consulate ordered from abroad. As for perishable food, the consulate had to buy it at the local peasant market, but militia raids disrupted trade. In conclusion, the German consul asked that the diplomatic mission be supplied with fresh meat and fish from the hotels assigned to foreigners or the GPU's supplies.[25]

Unlike diplomats, foreign tourists were mostly interested in the antique and souvenir stores, and the foreign specialists who worked long-term in the USSR patronized the regular torgsins on a par with Soviet buyers. A report from Nizhnii Novgorod (in the autumn of 1932) noted that the Americans employed at the new automobile plant, built with Ford's assistance, were the main buyers of groceries, wine, and fur coats at the local torgsin.[26] Special clerks who knew foreign languages served foreigners. According to the report, the foreigners were satisfied. The situation in other regions was not as bright. A poor assortment and low quality of goods were not the only reasons for discontent. Foreigners complained that stores were dirty and prices were higher than abroad.[27]

According to the same Nizhnii Novgorod report, the majority of buyers in the local torgsin were peasants. The documents of the Western (Smolensk) region, predominantly rural, even called the local torgsins the "peasant department stores" (*krest'ianskie univermagi*). Peasants bought mainly with gold coins, which they had saved from the tsarist period and replenished during the Civil War by exchanging precious food for valuables and during the currency interventions of the NEP. Peasants exchanged valuables in Torgsin mostly in small amounts and immediately bought goods. They looked for cheap fabric, stockings, boots, shoe soles, leather, sugar, kerosene, and denatured alcohol. In Central Asia this simple list included rice.[28] However, the main commodity in peasant demand was rye flour. "Shoemakers who do not have shoes"—Torgsin

fully illustrates this paradox of the Soviet era. Those who produced grain did not eat enough bread, those who raised cattle—did not have meat. "They are waiting for flour": this phrase from a report expresses the essence of peasants' behavior in Torgsin. "For several days, we did not have flour for sale," someone wrote from Kara-Kalpakiia in December 1933, "and this decisively affected the flow of valuables and even more so the sales . . . without flour, other products are not sold, and in fact sales come to naught."[29] The mass arrival of peasants to Torgsin indicated famine. As soon as the country's supply situation improved, peasants left its stores.

Among Torgsin's customers, peasants were, probably, the most practical, distrustful, and cautious. Before entering a store, they observed buyers and even escorted them to their homes to make sure it was safe to buy in Torgsin. When peasants brought valuables in, they asked to call a seller they knew and refused to deal with strangers. Peasants who brought intact whole gold objects were rare. They mostly brought the smallest pieces of scrap—fragments of rings, parts of broken earrings. These observations by Torgsin's employees from Nizhnii Novgorod are confirmed by other regional materials. From Central Asia, for instance, it was reported that peasants were cautious and exchanged gold in little sawed-off bits. A document from Leningrad stated, "peasants won't exchange gold at their place of residence." In the country's border areas, where a ban on the possession of tsarist gold coins had recently existed, peasants first brought in only gold scrap.[30] Despite their caution, however, peasants, probably due to their low literacy and poor knowledge of Torgsin's work, proved to be the easiest prey for scammers who sold forged or expired Torgsin money. In May 1935, the deputy chairman of Torgsin, Azovskii, urgently noted: "From a number of places we receive information that our booklets with falsified records (corrections for larger sums) are sold to 'gullible customers,' who then are detained in our shops, since the forgery is easily detected. These gullible clients are mainly peasants."[31]

There was also foreign cash in the peasants' savings. The same Nizhnii Novgorod torgsin reported an inflow of five-, ten- and hundred-dollar bills from peasants in July 1932. "It is characteristic," the report claimed, "that when peasants bring in dollars, they go to a cashier to ask whether this money is accepted and ask cashiers to write down what the money is called, since they cannot pronounce it, and surely they begin to explain to the cashier from where they got these dollars (although they are not asked about it). Many explain that they used to live and work in America

and brought dollars from there, others that they received dollars during the Civil War as payment for food."[32] The references to work and life in America are most likely a protective lie: if peasants really lived there, they would probably have known what these green bills were called. The references to the Civil War and transfers from relatives from abroad better comply with historical reality.

Since torgsins worked mainly in cities, peasants had to travel there. In Central Asia, Siberia, and the Far East, they sometimes had to cover hundreds of kilometers. People had to adapt. From Central Asia it was reported that peasants came to the cities only during the bazaar days and visited the torgsin in passing. Sometimes a representative was sent to Torgsin to buy for the whole village. As already mentioned, peasants were not in a hurry to exchange their valuables and first had to see if the torgsin had goods they needed. At home they divided the purchased products into portions so they would last longer. Someone who survived the mass famine in Ukraine recalled that his mother, having arrived with food from Torgsin, locked part of it in a trunk.

"The urban population," the same Nizhnii Novgorod report noted, "buys elegant shoes, knitwear, silk, utensils, household goods, confectionery, groceries, and flour." The city dwellers were the first to learn about Torgsin and quickly became accustomed to it. The documents describe some universal buying tactics. People compared Torgsin's prices with prices in the non-hard-currency stores, looking for the best offer, and assessed a purchase as "profitable" or "unprofitable." The decision to sell family valuables, as a rule, was taken at a family meeting. Cities lived better than the countryside, but famine affected urban demand as well. When wheat flour arrived, the employees of the Nizhnii Novgorod torgsin admitted, "the city dwellers form colossal lines and buy flour by the bag." The urban buyers exchanged mostly scrap, "all sorts of gold things: watches, chains, bracelets, rings, medals, crosses, etc." They also paid with gold tsarist coins and foreign currency, but not in significant quantities. Among the regulars who bought "on a large scale" were jewelers and dentists; due to their profession they had gold. In Nizhnii Novgorod, they visited Torgsin daily and purchased groceries and sweets. Among the city elite there were also those who received large transfers from abroad. These customers bought luxury goods—furs, silks, elegant shoes, wine, and delicacies.[33]

Frightened by the OGPU's arrests, urban dwellers were cautious as well. In a newly opened Torgsin department store in Tashkent (March 1932), city residents initially brought in only gold scrap, "since this kind

of valuable was safe to exchange," unlike tsarist coins or natural gold.[34] There were documented cases in which people left torgsins if they saw acquaintances there. At times, people traveled far to exchange valuables, so their fellow residents would not know about it. Employees of a Leningrad torgsin admitted that the introduction of personalized booklets caused a drop in the inflow of valuables, even though people were not required to show identification documents.[35]

In the large stores of big cities, a multistep shopping procedure existed. Customers first stood in line to choose goods, a seller wrote out a receipt that indicated which goods were selected, with their quantity and price. With this receipt customers then went to a cashier. There again they stood in line to pay for the purchase. The cashier stamped the receipt to confirm payment and issued a check. With the payment check and stamped receipt the customers then went to a controller, where again they had to stand in line. The controller compared the customer's receipt with the one received from the seller and, if everything was correct, handed over the purchase. Such a complicated system of documentation was meant to yield a better record of sold goods and prevent abuses by store employees. Buyers, however, took advantage of this multistep procedure in which the seller and the controller were different people. Customers forged receipts, stamps, and checks. The head of Torgsin's Moscow regional office, Doron, wrote to the police (June 1935): "Recently, in our department stores, cases of theft of goods on fake Torgsin receipts have increased. Scammers forge stamps and store codes so well that store employees are not always able to distinguish the correct receipt from a fake. The forgery is detected only in the accounting office by comparison with the cashiers' documentation. Torgsin bears huge losses due to counterfeit receipts. All our efforts to eliminate such abuses without your help are powerless."[36]

Those who did not have valuables nevertheless found ways into Torgsin. Isaak Tartakovskii, a survivor of the Ukrainian famine, recalled homeless children who waited at a local torgsin's door hunting well-dressed women: on the run, they tore gold earrings from victim's ears. Buyers had to hide purchased bread or hold on to the loaf with both hands; otherwise homeless kids would snatch it.[37]

The detention records testify that theft was one of the most common ways to get Torgsin's goods. A certain Petrova came to Department Store no. 4 on Zheliabov Street in Leningrad, as she explained, "to look at jackets and find out about the price." She asked the staff to show her two jackets but returned only one. The second jacket was found on the floor

under her feet. Apparently, Petrova hid the stolen jacket under her clothes but, when caught, "dropped" it. In the same store, Ivan Andreevich Andreev, thirteen years old, broke the glass case and pulled out two pairs of stockings (January 1934). One pair was returned to the store, while the other, worth forty gold rubles, he managed to pass to his accomplice. This was not the first detention of Ivan Andreevich; he had already visited the same store with his thirteen-year-old friend, Ivan Shchapov. That time they broke the glass case and pulled out a blouse worth 120 gold rubles. During the search, the militia also found a Gillette razor and a pair of cufflinks that Andreev had stolen from Torgsin.[38] While sellers were busy serving crowds of customers, thieves cut a piece of glass out of the display case and pulled out desired goods with a hook—that was how a watch was stolen from Department Store no. 2 in Leningrad and many other valuable things throughout the Soviet Union.[39] Thieves also picked pockets and stole from bags. In October alone, twelve stolen customer's booklets were retrieved in Leningrad's Department Store no. 4.[40]

Also at Torgsin's Department Store no. 4 in Leningrad, in the textile section a customer noticed a woman hiding something in a sack. There were two other people with her. The vigilant customer detained the suspicious person and took her to the store director. It turned out that she had stolen seven meters of Boston wool. During interrogation, militia found out that the detainee did not have Torgsin money and allegedly came just "to look." She did not have any identification documents with her—thieves don't carry their passports—but she called herself Evdokiia Fedorovna Kazanskaia from the city of Likhoslavl'. The name was probably made-up, and the city most likely was not her true home address, but one could not choose a better one![41] Who in those years was not from "Likhoslavl'"? However, did the police notice this viperous mockery?[42]

Robbers belonged to the same group of uninvited Torgsin visitors as the petty thieves. At the beginning, Torgsin's stores were guarded by militia, but in November 1932 that duty was turned over to "civilian" guards.[43] While a militiaman received 150 rubles for a month's work, a civilian guard got only 95 rubles (the same as a janitor). With the pay so low, only elderly pensioners and women took the job, but they could not withstand armed gangs, and often they did not even try. The store directors complained to the OGPU, which was charged with fighting crime, about an increasing number of armed robberies, murders of guards, and incidents of arson. The documents tell stories about forced

entry into stores through ventilation pipes and breaks in the roof, underground passages and holes in the floor; customers subdued by the use of drugged handkerchiefs; suicides of guards who feared they would be held responsible, and so on.[44] Torgsin asked the OGPU to return the militia, but the demand was refused.[45]

Professional speculators made one more group of Torgsin patrons. Speculation—one of the most common economic crimes of the Soviet era—was defined very broadly, including the resale of purchased goods or even the sale of goods of one's own production at prices higher than the fixed state prices.[46] Torgsin's materials present an illustration: "In the streets of Moscow (especially in the areas around the Bolshoi Theater and Kuznetskii Most), a group of women has recently appeared selling berets made from imported yarn. This yarn is sold in Torgsin."[47] The purchase of yarn in Torgsin with the intention of privately producing berets to sell for profit was considered an economic crime. Speculation as a crime represented a phenomenon of Soviet socialism, since in a market economy resale for profit is a fundamental type of economic activity. By prohibiting speculation, the Soviet government pursued socio-economic and political goals—primarily to fight private entrepreneurs competing for resources and influence.[48]

Speculation was a part of the vast black market in the USSR and an important part of Torgsin's everyday existence.[49] Inspections document a permanent "staff " of speculators in each store.[50] In a letter, one buyer called Torgsin "a gangster-speculative and counterrevolutionary economic institution," where speculators received flour and groats while "honest" people languished for days in queues.[51] Speculators, according to the Nizhnii Novgorod report previously cited,

> quickly got used to Torgsin. . . . In January, they actively bought gloves, men's and women's, ten to twenty pairs, several times a day; cheap fabric, knitted jackets, socks. In February: wheat flour, sugar, pasta, smoked dry fish, imported blankets. In March: baby stockings, tulle, boxes of candy, herring, smoked fish, millet, and enamel dishes. In April: sugar, flour, dried fruits, nuts, trousers, cotton headscarves, and galoshes. In May: rice, millet, flour, canvas shoes, plimsolls, candies, Cannon cigarettes, headscarves and handkerchiefs. In June: sugar, nuts, canvas shoes, Cannon cigarettes, and aluminum dinnerware. In July: canvas shoes, candies, granulated sugar, semolina, and Orenburg knitted headscarves.[52]

In other words, along with basic Russian food—flour, sugar and dried fish—the speculators bought up everything that was for sale in Torgsin during the months mentioned. "Knowing the market, daily visiting Torgsin, the groups of speculators always choose products that are profitable for resale. These people usually buy for even sums of ten, twenty, thirty, and sometimes fifty rubles; sometimes they pay with scrap but most of the time with tsarist coins. They buy in the morning and in the afternoon they come again to buy"—the Nizhnii Novgorod report summed it up.

Speculation was a very profitable business in an economy of shortages. In early 1932, a box of candy that in Torgsin cost twenty gold kopecks could be sold on the black market for six regular rubles, and a headscarf worth twenty gold kopecks for five regular rubles. According to the Nizhnii Novgorod report, speculators resold wheat flour at forty times and rice, millet, and sugar at twenty-five to thirty times higher than Torgsin's price.[53] The price ratio was determined by the black market exchange rate of the Torgsin gold ruble, which rose in value as the famine developed.

The social composition of the speculators was complex. Those for whom resales became a profession worked alone or in organized groups. Many of them had a "cover"—a job with a flexible schedule (watchmen, cloakroom attendants, etc.). In addition to the professional speculators, millions of "amateurs" sporadically participated in black-market transactions. Among them were workers, peasants, members of the intelligentsia, and even the Soviet elite.[54] According to the Torgsin Board (in the spring of 1934), people who received money from abroad sold about a third of the transfers on the black market. It would not be a big exaggeration to say that practically all the store employees took advantage of their access to valuable commodities and were engaged in speculative activities. As the author of a document put it, there was a "tight adhesion" between Torgsin's employees and speculators.[55] Sellers sold goods for obviously forged checks or no checks at all and informed speculators about the arrival of goods and price changes.[56] Employees allowed "their people" to skip lines, sold from under the counter or through the "back door," and accepted expired Torgsin money.[57] Torg sin's chairman Stashevskii admitted after his trip to Ukraine that "any line between sellers and buyers-speculators was erased."[58]

For those who did not have valuables, buying Torgsin money from speculators was a way to get into its stores. This group ran the gamut from those starving from hunger to those who wanted to buy fashionable

imported goods and delicacies absent in other types of stores. Many artisans bought from speculators because otherwise they could not get materials for their craft—shoemakers needed kid and chrome leather, soap makers—caustic and stearin. Torgsin sold these materials. Speculators were also approached by those who needed medicines not available in the non-hard-currency pharmacies.[59]

Brisk trade in Torgsin money, goods, tsarist coins, and foreign currency flourished at torgsins' entrances, within stores, and on the nearby streets, squares, and doorways of neighboring buildings. The demand was huge. The militia detention reports claimed that speculators behaved aggressively and attracted crowds of people.[60] The Torgsin Board sent circulars to the store directors demanding they fight speculation by "decisive measures"—specifically, displaying warning posters, handing over those caught to the criminal investigation departments, and reporting militiamen who refused to arrest speculators.[61] Periodically, militia conducted raids, but the arrested speculators often escaped, probably in return for bribes.[62]

During the first half of 1934, thousands of cases of speculation were filed by Torgsin, and more than fifty-eight thousand people were arrested. The highest number of cases were from Ukraine (more than five thousand), the Central Black Earth Zone (more than four thousand cases), the Gor'kii region (almost four thousand cases), and the Middle Volga region (over three thousand cases). In Moscow and the Moscow region, more than forty-five hundred cases were filed and more than five thousand people arrested; Leningrad and the Leningrad region had sixteen hundred cases and about the same number of arrested "speculators."[63] These data, however, are more indicative of the regional militia's activity than of the true size and geographic distribution of the speculation. A means of enrichment for some, a means of survival for others—speculation was indestructible.

Chapter 13

Prices

In the fall of 1933, a loaf of rye bread in Torgsin cost 5 kopecks, while in the state commercial stores the price was 2.5 rubles.[1] It may seem that torgsins were inexpensive stores, but let's not jump to any conclusion. After all, these were gold kopecks. The government created Torgsin not to save the starving but to aid industrialization. Prices had to provide an accumulation of savings for industrial development. To maximize profits, the government exploited the mass famine by requiring a significant increase in Torgsin's sale prices. This way, both the consumer's hungry demand and the government's dictates directed the pricing policy.

The price changes in Torgsin went through several phases. The beginning period of 1931–1932 was marked by relative freedom. Formally, Torgsin had to present its price lists to Narkomvneshtorg for approval, but this order was not observed. With the permission of Deputy People's Commissar M. A. Loganovskii, the Torgsin Board regulated prices on its own—a not-small privilege in the Soviet economy and evidence of Torgsin's preferential treatment.[2] Based on regional reports about consumer demand and the situation at local peasant markets, Torgsin's authorities increased or decreased prices in its stores.[3] Store directors also sometimes adjusted prices on their own initiative, but the board fought these efforts.

At the end of 1932, the TsKK, the NK RKI, and the STO's Committee of Commodity Funds and Trade Regulation, which inspected Torgsin, came

to the conclusion that Torgsin was not taking full advantage of the raging mass famine. There were some grounds for this accusation. The only large-scale price increase took place in Torgsin in the spring of 1932, before the onset of mass famine.[4] As a result, in 1932 Torgsin's food prices, if converted into regular rubles at the black market exchange rate, lagged behind or were at the level of the prices of the state commercial stores and peasant markets.[5] For example, at the start of the mass famine Torgsin's official prices (at nominal value in gold rubles) for rye flour and butter were only forty times, and for vegetable oil sixty times, lower than the prices at the state commercial stores. At the same time, Torgsin's prices for manufactured goods were significantly higher than those at commercial stores or peasant markets. In the spring of 1932, boots in Torgsin cost as much as five poods of flour cost.[6] A person who resold this flour at the peasant market could buy, with this money, two to three pairs of boots in a state commercial store.[7]

At the beginning of 1933, when millions of Soviet people were dying from starvation, a joint commission of the TsKK VKP(b) and the NK RKI demanded Torgsin's sale prices be raised and obliged Narkomvneshtorg to increase price controls.[8] The Torgsin Board tried to preserve the right to adjust prices at least "in *particular* cases, in *particular* regions, or on *particular* goods," in the interests of better maneuvering, but the government's price dictate gained strength.[9] To fulfill the government's order, in December 1932, the Torgsin Board acquired the Price Bureau. From then on, only Torgsin's head—Stashevskii, at that time—had the right to make price adjustments. The government required that torgsins become the most expensive Soviet stores of the time, even more expensive than the peasant markets, where prices were set by the demand of the starving. Torgsin, due to "exclusiveness and monopoly," had to add a premium to its prices to exceed the already astronomic prices that existed in the commercial stores and at the peasant market on similar foods and goods. It was also recommended to take into account the prices that existed on these products abroad. Furthermore, in May 1933, on an order from Rozengol'ts, the people's commissar of trade, a Price Council was established in Narkomvneshtorg. Torgsin's Price Bureau had to report at least twice per quarter on price changes and the situation on the internal markets to Narkomvneshtorg's Price Council.[10]

The creation of two additional bureaucratic offices, the Price Bureau and the Price Council, made price regulation less prone to adjustment. However, decisions on Torgsin's prices still remained within Narkomvneshtorg's jurisdiction with Torgsin's active involvement.

Although it now took longer for the price agencies to react to market changes because of red tape, the fact that the trade organizations themselves adjusted prices instead of the central directive bodies, such as the STO and the NK RKI, which did not deal in trade, served as a certain guarantor of the prices' validity. Besides, Narkomvneshtorg was, for Torgsin, a "home agency," which allowed for informal relations. According to a revealing testimony by an STO commission that, in 1934, inspected Torgsin's pricing policy, the Price Council met irregularly, Torgsin turned to the council only on "some goods"; moreover, Torgsin could then change prices established by the council.[11] In fact, the Torgsin Board continued to adjust prices on the sly in its stores.

In response to government orders, in the winter of 1933—while the famine was raging—the Torgsin Board twice (!) raised its sale prices on the foods in greatest demand—flour, bread, and groats. Despite the substantial price increases, consumer demand did not drop.[12] The period of the winter and early spring of 1933 was the most *economically* unfavorable for the people (and the most favorable for the state) to exchange valuables for goods in Torgsin: a gold ruble received in exchange for valuables could buy the smallest quantity of goods in all of Torgsin's history. Yet that was the very time when people brought the lion's share of their valuables to Torgsin.

After reaching its peak in the spring of 1933, the consumers' hungry demand began to subside. Food appeared at peasant markets, so there was no longer a vital need to pay inflated gold prices in Torgsin. In order not to lose customers, Torgsin began to gradually lower its food prices.[13] Prices on some manufactured goods were also reduced.[14] Defending the reduction, Stashevskii wrote that there were employees who considered the price cuts to be a form of sabotage, even though such an employee, while "selling nothing but one to two bottles of cologne a day and earning [for the state—E.O.] just one to two rubles, cost Torgsin up to forty gold kopecks in food rations plus the cost of wages, store rent, and so on."[15] In August 1933, in anticipation of a good harvest, Narkomvneshtorg's Price Council made the decision to lower Torgsin's food prices once again and rather drastically (the reduction took place in September). The price of rye flour was reduced by 40 percent.[16] Through the end of the year, Torgsin's food prices continued to fall in conformity with the improvement of the food situation in the country.[17] In the autumn, there were also reduced prices on footwear, apparel, and some other manufactured goods. The price reduction was Torgsin's effort to compete with the new state commercial stores, in which prices were lower and did

not require the sacrifice of valuables as in Torgsin.[18] According to a Torgsin report, on average, its prices in the second quarter of 1933 constituted 80 percent, in the third quarter 53 percent, and in the fourth quarter only 43 percent as much as in the first quarter of the year.[19] A kilogram of rye flour that cost twenty gold kopecks in the winter of 1933 cost five gold kopecks by the end of the year.[20] The price of refined sugar fell by almost half by the end of the year, and the price of butter and vegetable oil to one-third (table 18).[21]

The government became outraged at the sharp reduction of Torgsin's sale prices. After all, Torgsin's purchasing prices on precious metals and gemstones remained the same, which meant that with the reduced sale prices the state had to give people several times more goods for the same amount of valuables. Thus in the winter and spring of 1933, independent prospectors received from Torgsin 3.2 tons of flour per kilo of placer gold; in the summer, due to the sale price reduction, more than 4 tons, and by the end of the year—9.2 tons![22] In the spring of 1934, government dictates brought an end to Torgsin's relative price freedom and orientation toward consumer demand. A special STO commission inspected Torgsin's sale prices in March 1934 and ruled their reduction unjustified.[23] The commission was particularly outraged by widespread private entrepreneurial activity: people profited from the price differences that existed in different types of Soviet trade. Thus they resold on the free market food bought in Torgsin and used the profit to purchase manufactured goods in the state commercial stores.[24] Punishment was swift: Torgsin, together with Narkomvneshtorg, lost the right to independently determine sale prices.[25] Henceforth, the STO established and the SNK affirmed a minimal level of sale prices on every product, below which Torgsin's prices could not fall. Torgsin could only increase these minimal prices. An order of the STO commission in the spring of 1934 increased prices on all major food products in Torgsin to meet the established minimum (table 18).[26] As expected, with the normalization of the supply situation in the country and the opening of many new non-hard-currency stores, the price increase only led to further decline in consumer demand in Torgsin, its overstocking, and a fall in the profitability of its trade. But the government did not want to give up. In 1935, in response to requests from Torgsin's regional offices to lower prices, the government accused them of "walking the path of least resistance."[27]

Famine was no longer there to provide assistance, and government directives could not force people to buy at inflated prices. Torgsin's

regional offices sent alarming telegrams to Moscow, reporting a sharp drop and in some cases the complete cessation of sales. From Kazakhstan (Chimkent), for instance, it was reported that before the price increase stores sold 1–2 tons of flour every day, but now only a ton in five days; the sale of butter ("when it was available") had been from 100 to 180 kilograms per day, now no more than a kilo; meat at the old prices had accounted for 100 to 150 kilograms in sales per day, and now people did not take it at all; sales of vegetable oil, once 5–6 liters a day, had dropped to half a liter. At this price, according to the bitter resolution that followed, it would take the stores until 1936 to sell the existing oil stock. The report also noted that there was a large supply of vodka, but after the price increase people stopped buying it. "In short," concluded the Kazakh Torgsin's head, "after the price increase a complete stagnation occurred."[28]

The sharp drop in consumers' interest in Torgsin forced the government, first selectively, and then almost without exception to reduce the prices of basic foodstuffs.[29] This phase of reluctant price reduction continued until December 1935.[30] However, the measure was belated and insufficient. It did not radically improve Torgsin's sales. Consumer demand for food from Torgsin continued to fall. In contrast to the situation with food, in 1935 the government increased sale prices on the most popular manufactured goods, thus trying to accumulate hard currency by exploiting "well-off demand."[31] With the famine's retreat, consumer demand for manufactured goods did indeed increase, but people could also buy goods in the new non-hard-currency department stores. The drop in consumer demand and, subsequently, the growing overstock in 1934 and 1935 were among the main reasons for the liquidation of Torgsin. The law of supply and demand turned out to be stronger than government dictates.

"A buying rush" during the last weeks of Torgsin's existence brought about the final stage of its pricing policy. In December 1935, the government announced the imminent closure of Torgsin. This decision had almost no impact on the sales of foodstuffs but triggered a panic buying of manufactured goods—an indication of postponed demand and an improvement of life after the famine's retreat. The Torgsin Board considered the moment right for a "further increase in the extraction of hard-currency valuables still held by the population."[32] During the last weeks of Torgsin's existence, when people rushed to its stores to spend the money that remained in their possession, the government raised Torgsin's sale prices, on average, for foodstuffs by 20 percent and for

manufactured goods by 40 percent.[33] The price of laundry soap (one kilogram), for example, rose from twenty-two to thirty-six gold kopecks; the price of different varieties of toilet soap increased by several gold kopecks; significantly, the price of perfume and beauty products rose from five to fifteen gold kopecks; and the price of gramophones, radios and dinner services went up by six to ten gold rubles (table 18).[34] By raising prices at the moment when people could no longer delay purchases, the Soviet government proved once again that an entrepreneurial spirit was not alien to socialism and was allowed if the businessman was the state itself.

The analysis undertaken in this chapter shows that the government sought monopolistically high sale prices in Torgsin. However, in other types of Soviet trade that existed at that time, such as the state commercial stores and the peasant market, prices were inflated as well. What then made Torgsin special? The assortment of goods was Torgsin's main advantage. During rationing, it offered goods that no other type of trade had. With the end of rationing and the opening of the new model department and specialized stores, Torgsin began to lose this advantage together with its customers. Besides, in Torgsin purchases, as a rule, were not limited, which favorably distinguished its stores from the rations distribution centers and even the state commercial stores, where during the famine some purchasing limits often were introduced. Torgsin's major and rather significant drawback if compared to other types of trade was that customers had to pay with hard-currency valuables. This feature became its major weakness, which led to a decline in customers' interest and to Torgsin's closure after the supply situation in the country improved.

Whether Torgsin offered people better sale prices than other types of trade at the time is not an easy question to answer. Customers paid a "handful of jewels" for a bag of flour in Torgsin.[35] How can one compare wedding rings and gold crucifixes brought to Torgsin with regular rubles people used in other stores or at a market? A lack of price uniformity in different types of Soviet trade of that time also adds to the complexity of the question. In the first half of the 1930s in the USSR, prices ranged from the extremely low protectionist ration prices to the inflated prices of the state commercial stores and astronomically high peasant market prices. Besides, except for the rations, prices at that time changed rapidly; after reaching their climax during the peak of the famine in the spring of 1933, they plummeted by the end of the year. To make it even more complex, the peasant market and black market prices substantially differed by

region. Depending on the supply situation, the black market exchange rate of Torgsin's gold rubles and regular rubles varied and quickly changed as well. The official exchange rate (1:6.6) remained in theory, while in real life people recalculated Torgsin's prices into the prices on the black market, which was a more sensitive and trusted indicator of the supply-demand ratio. At the free market during the famine, Torgsin's gold ruble was traded for sixty to seventy regular rubles.[36] By the fall of 1933, the exchange rate by region ranged from forty-five to fifty-seven regular rubles per Torgsin's gold ruble.[37] All these factors make it difficult to compare the price value of goods in different types of trade in the USSR in the first half of the 1930s, although some general conclusions can be made.

A comparison of prices that existed in Soviet trade (table 19) allows us to say that at the peak of the famine (the winter and spring of 1933) Torgsin's stores were extremely expensive. The prices of flour, sugar, oil, and meat—the products in chief demand—were especially high. Recalculated in regular rubles based on the free market exchange rate, Torgsin's prices exceeded, with a few exceptions, the already astronomically high prices of the free market (table 19). This attests that the government used prices in Torgsin to capitalize on the famine rather than to help the starving. Torgsin's pricing policies were not indicative of social protection. Especially striking is the colossal gap between Torgsin's sale prices and the low prices of rations (table 19). Rations were the cheapest way to get food, but only selected groups of the population received them from the state.

The mass famine was the time of the highest food prices in Torgsin, when it was *economically* least favorable for people to exchange valuables for goods. However, while talking about economic disadvantage, one should not forget about the reality of the historical situation. There were simply not that many options available to people. Rations, except for the Soviet elite, provided, if one was allotted them, only a hand to mouth existence: their norms of supply and assortment of goods were poor. There was not much at the markets—peasant sellers were dying from starvation by the millions. The state commercial stores existed only in the big cities and did not offer much. In those days, people bought food wherever it happened to be available. The famine did not leave people any choice but to buy from Torgsin, regardless of its inflated prices. Survival, rather than the economic disadvantage caused by Torgsin's pricing policy, was their main concern.

However, with the improvement in the country's food situation, the

question of economic gain or disadvantage acquired greater meaning. From the second half of 1933 and up until Torgsin's closure, people bought at its stores either the delicacies and fancy novelties that were not available elsewhere or because Torgsin's price was the best. Torgsin no longer represented a survival strategy. The sharp decrease of food prices implemented by the Torgsin Board in the second half of 1933 fostered entrepreneurial activities. A government commission that inspected Torgsin reported (in the spring of 1934): "A comparison of Torgsin's prices with the prices of the state commercial stores and collective farm markets shows that it is profitable for the gold and hard-currency owners to buy food products in Torgsin, then resell them at the market prices and use the earned money to buy manufactured goods in the state commercial stores."

The commission was right: people did profit from the price difference that existed in various types of Soviet trade. Thus, at the beginning of 1934, one pood of rye flour in Torgsin cost ninety-six gold kopecks, and a pair of galoshes almost as much—ninety-five gold kopecks. The price of one pood of rye flour on the market at that time was fifty-two to fifty-five regular rubles. An entrepreneurial person could resell at the market a pood of rye flour bought in Torgsin and with the money earned buy in a commercial store *two* pairs of the most expensive galoshes for twenty-five rubles a pair.[38] The summer of 1933 to the spring of 1934 (before the government intervened) was the time of the lowest food sale prices in Torgsin and the most favorable terms for people to exchange their valuables for food.[39] During this time, buying food in Torgsin gave its clients the greatest advantage in comparison with other types of Soviet trade, except rations. However, as the documents suggest, the state commercial stores at that time had better prices on manufactured goods. For instance, from the city of Gor′kii it was reported (November 1933) that the ruble prices in a state commercial store, which had just recently opened, were only twenty to twenty-three times higher than in Torgsin (at their nominal value), while Torgsin's gold ruble, according to the free market exchange rate, was worth more than fifty regular rubles. As a result, sales in Gor′kii's torgsin practically stopped.[40] In the fall of 1933, Torgsin's prices (at their nominal value) on average were forty-eight times lower than the prices at the state commercial stores, while the free market exchange rate of the gold and regular ruble was 1:57.[41]

From the spring of 1934 until the end of 1935, after the government made Torgsin increase its sale prices, it became unprofitable for people to buy food in Torgsin. The head of Kazakhstan's Torgsin wrote in a panic:

"There is plenty of food at the bazaars; the collective farms bring flour by the cartful"; "there is butter of good quality; buy as much as you wish"; "millet at the market is good, but we do not have even that." Everywhere in Kazakhstan, the peasant markets' prices were lower than those of Torgsin. He lamented: "Our customers are picky; they come to us only when there is no food at the bazaars or to profit from selling Torgsin's ruble for sixty regular rubles at the market. Otherwise they don't come."[42]

Torgsin became especially expensive during the last weeks before its closure, when the government drastically increased its prices. However, at that time people once again, although for very different reasons than during the famine, did not care much about the economic disadvantages of buying from Torgsin. Its stores were about to close forever, and those in possession of Torgsin money had to hurry if they were not to waste the family valuables they had sacrificed for it. After Torgsin's closure, its gold rubles would turn into useless pieces of paper.

The comparative price analysis conducted in this chapter reveals that the government gradually elevated Torgsin's sale prices (in their nominal expression) to match the nominal prices of the commercial stores and, after the abolition of rations, the prices of the model department and grocery stores. Indeed, while during the mass famine of 1932–1933, Torgsin's sale food prices in gold rubles were (at their nominal value) from forty to sixty times lower than those at commercial stores (which corresponded to the free market exchange rate of the gold and regular ruble), then due to government interference, this difference fell to twenty to forty times by 1935, and to ten to thirty times by Torgsin's closure. By increasing Torgsin's sale prices, among other reasons, the government tried to counterbalance a decrease in the free market exchange rate of the gold and regular ruble caused by normalization of the supply situation to prevent speculators from profiting at the state's expense. This way, Torgsin's sale prices gradually approached the official exchange ratio, according to which 1 gold ruble was equal to 6.6 regular rubles.[43] As a result, by the end of 1935 sale prices in different types of Soviet trade (in their nominal expression) appeared more aligned. People continued to bring valuables to Torgsin, but the "gold rubles" they received in return depreciated more and more.

The time has come to draw a conclusion about the issue raised in this chapter: was Torgsin an expensive store? In a memo to People's Commissar of External Trade Rozengol'ts in November 1935, Levenson, then head of Torgsin, calculated the purchasing capacity of a dollar. He wrote that while in Poland a dollar could buy from 1.3 to 1.8 kilograms

and in France from 600 to 750 grams of butter, in Torgsin it was good for only 250–400 grams. The calculations for meat were 1.8–3.8 kilograms (Poland); 05.–2.3 kilograms (France) and 0.6–1 kilograms (Torgsin). For other major food items the situation was similar.[44] The conclusion was clear: Torgsin was more expensive than not only the stores in Warsaw but those in Paris as well.

Chapter 14

Soviet Brothels

It would not be a great exaggeration to say that Torgsin grew out of the seaport trade—the ship chandlers' business. The names of its first offices were the names of Soviet seaports: Arkhangel′sk, Vladivostok, Novorossiisk, Odessa, Kherson, Nikolaev, Poti, Feodosiia, Taganrog, and so on.[1] As Torgsin reoriented toward the domestic valuables of Soviet citizens, the ship chandlers' trade, once Torgsin's main occupation, became secondary. In the end, the foreign exchange earnings of the seaport torgsins were not great, but the ship chandlers' operations, perhaps, more than any other Torgsin activities, reveal the essence of this enterprise—a rejection of ideological principles for the sake of profits in hard cash.

Before Torgsin opened its doors, the seaport trade was under Sovtorgflot's jurisdiction. At that time, foreign ships in a Soviet seaport were supplied only sporadically; their captains bought Soviet goods mostly in an emergency. In October 1930, Sovtorgflot handed over its modest ship chandlers' business to Torgsin's seaport sector (later renamed a directorate).[2] Torgsin had to transform the seaport trade to channel a stable currency flow into the state budget. It was prohibited from accepting payments from foreign captains in rubles.[3] The opening of the seaport torgsins became part of a nationwide centralization of hard-currency operations to provide for industrial development.

According to its authorities, Torgsin represented the world's first attempt at "a centralized supply of foreign ships," which, in their opinion,

required "socialist work methods."[4] Documents, however, show that Torgsin's seaport service largely followed in the footsteps of prerevolutionary practices. A significant number of Torgsin ship chandlers used to work in the private seaport trade under the tsar. They brought with them to Torgsin the "evils of capitalism"—bribes, social segregation, alcoholism, and prostitution. There were also plenty of Soviet characteristics in Torgsin's seaport service as well: mismanagement, poor-quality products, and omnipresence of the political police.

When a foreign ship arrived at a Soviet seaport, a Torgsin ship chandler came on board and offered to help the captain with repairs and to replenish his stocks of food, fuel, and other materials. To pique the captain's interest, the ship chandler paid him a gratification premium defined as a percentage of the total order placed with Torgsin.[5] This gratification was modeled after a practice that existed abroad and, in fact, was legalized bribery. The Soviet impact revealed itself in the ideological justification for the bribe: Torgsin's authorities emphasized that the money went not to a capitalist—the ship's owner who exploited sailors—but to a hired worker, which, in their opinion, the captain was.

Once on a foreign ship, the Torgsin ship chandler announced to crew members that there was a restaurant in the seaport awaiting their business, as well as a shop where they could buy souvenirs, antiques, furs, and other goods. The ship's captain had to decide how much money his ship crew could spend on shore, and to help him be more generous, the Torgsin ship chandler paid him another premium—a percentage of the allowed spending amount. Then a most interesting thing happened. The OGPU prohibited the foreign sailors from taking hard currency on shore. The captain had to lock all the currency in the ship's safe and seal it.[6] The sailors received Torgsin money instead—becoming, in effect, serf-customers: during their stay in the Soviet seaport, they could not shop outside of Torgsin.[7]

Sailors could escape Torgsin's serfdom and obtain regular rubles, which provided economic freedom, by becoming speculators. The black-marketeers—currency dealers and prostitutes—who swarmed around seaport torg-sins asked sailors whether they had anything to sell, thus teaching them some basics of life in an economy of shortages. The international clubs—interclubs, for short—that were in charge of revolutionary propaganda among foreign sailors in Soviet seaports complained that in order to visit a "cultural place"—theater or cinema—or "have tea and eat a sandwich in an interclub's buffet," sailors had to

sell some of their clothes or speculate in goods and Torgsin money.[8] In 1933, as a result of lengthy government debates on Torgsin's "serf economy," foreign sailors were finally allowed to transfer their Torgsin credits to interclub buffets. However, Torgsin, not wanting to lose hard currency, did not advertise this new opportunity. A sailor complained that only after "long and hard effort" did he learn about the permission to transfer credits.[9]

Torgsin nourished the seaport mafia, where ship chandlers, store and restaurant directors, pimps and prostitutes, and on occasion foreign ship captains had their share of the profits. A microcosm of a Soviet seaport was far from the ideals of a new way of life that foreign sailors—socialists and communists—expected to see in the land of the triumphant proletariat. Their angry and perplexed letters to the Soviet Bureau of the International of Sailors and Seaport Workers (IMPR) testify that seaport torgsins operated as low-class brothels. In these letters, foreign sailors showed more political maturity and ideological commitment than the local Torgsin bosses, as well as Torgsin's central leadership in Moscow, which refrained from enacting any radical solutions to the problem of prostitution for fear of losing hard currency. One Comrade Koli—a communist in charge of political propaganda among Italian sailors in the interclubs of Tuapse, Novorossiisk, Poti, and Batum—wrote in January 1933:[10]

> The official home of prostitutes is Torgsin. Here prostitutes come as to their own home; here they wait for their clients. Sailors do not pay with money but goods. For a kilogram of sugar, worth a few kopecks in gold, a sailor spends the whole night with a woman who assures him that people are starving in Russia, that there is not even enough black bread to eat. . . . From 6 p.m. until after midnight, inside Torgsin's restaurant as well as outside, one can't pass without punching his way through a crowd of prostitutes, pimps, and speculators. All this was reported to the authorities both orally and in writing, but despite promises to take action, the situation has gotten worse. The other day, a few sailors invited me to come to Torgsin to see for myself. There were drunken prostitutes who danced in the room and on the tables like in an actual brothel in bourgeois countries. . . . The ships' fascist administration uses these facts to slander the Soviet Union. Thus Chief Mate Tamburioni—a 100 percent fascist—ironically told me that without a doubt we have some achievements, but Russia is

best characterized by the sight of prostitutes and pimps.[11]

Comrade Koli was not alone in his rage.[12] According to the interclubs, "any socialist propaganda stumbled at sailors' questions on why the pus of prostitution is allowed." In a letter to the Communist International (Comintern), Greek sailors described a Torgsin brothel:

> Comrades! We, Greek sailors, have visited many seaports of the USSR and are proud to see the achievements of the world proletariat's motherland and the progress in transitioning to socialism. But there are still many remnants of the tsarist regime, especially prostitution, the existence of which, in Torgsin, in Kherson, where we are now located, we want to bring to your attention. . . . First you enter a store that sells various goods, then there is a door to a hallway; in the hallway other doors lead to special rooms, some luxurious for officers, and the rest second-rate for sailors. After we made a purchase, the store director said that girls were available, small and beautiful, waiting in the rooms which we have already mentioned. *This happened to us* [underlined in the document—E.O.]. We heard this with astonishment and then entered the room for the sailors, and indeed we found ourselves in a place worse than the worst brothels that exist in capitalist countries. Several prostitutes were in sailors' arms, singing in voices hoarse from alcohol and cursing. There were bottles of beer and the like on the table. Outraged with what we saw, we went out and asked the store director "who these women were," and he casually replied "prostitutes" . . . and when we asked how such outrages were allowed at all, he said that here it is permitted to him. . . . After being paid hard currency by a sailor, a prostitute buys sugar in Torgsin, then sells this sugar on the black market at the price of fifteen to twenty rubles per kilo.[13]

The Greek sailors' letter reached the Comintern and had consequences—an investigation in Kherson in which the OGPU, including its head Iagoda, was involved. As a result, several regional Torgsin and party bosses lost their jobs. A member of the Torgsin Board, a certain Babinchuk who came to Kherson for the inspection, reported to Rozengol 'ts on March 8, 1933:

> The letter of the Greek sailors about the outrages that took place in the Kherson seaport torgsin has been fully confirmed.

> Interrogations of the store staff affirmed that prostitution had developed there rapidly, with special divisions for captains and sailors. For the former, three separate rooms were allocated, while sailors had a buffet—a common room—at their disposal. Prostitutes were supplied by a ship chandler, Strumak [in other places spelled "Sturmak"—E.O.] and a chief prostitute, Valia, who lured girls to Torgsin under the condition that they first had to have sex with Strumak, after which they would receive equal rights with other Torgsin prostitutes to meet foreign captains and sailors.[14]

We will return to this letter later, but for the moment it is important to stress the hierarchy among the prostitutes—the privileged beauties with a "clean" and well-paying job at a bar and the street girls who came to Torgsin in the hopes of catching a client. As the documents below illustrate, along with those for whom prostitution became their professional occupation and main source of income, there were also "moonlighting proletarian prostitutes," who spent their days working in a factory and nights at the Torgsin bar earning a few additional kopecks in hard currency. For many of them in those years, prostitution was a means of survival, as were speculation with foreign currency and Torgsin's goods. Political disengagement among prostitutes is evident from the documents as well: some informed the OGPU, while others beat up activists of the seaport interclubs.

The Odessa seaport torgsin, like the one in Kherson, caused strong resentment among interclubs. It was run by a certain Gol'dshtein, who before the revolution, according to the sources, owned either the London Hotel or a brothel in Odessa. The former, though, does not negate the latter. His name is mentioned quite often in Torgsin's documents as a symbol of promiscuity and permissiveness.[15] Gol'dshtein was a professional in his business. Welcoming flyers that promised cabaret and spirits not only appeared on board ships but were even found in the interclub, which incidentally happened to be just fifty meters away from the torgsin bar. Everyone and everything in Gol'dshtein's enterprise worked toward making the customers spend as much as possible. The bar was open all night. The orchestra played foxtrots. On Gol'dshtein's orders, waitresses—only good-looking girls were hired—joined sailors at their tables. Refusing to accept cheap drinks, they made sailors buy liquor, champagne, cognac, as well as "women's accessories"—powder, perfume, silk stockings, and panties, which were conveniently displayed nearby in a

showcase. Drunken sailors were shortchanged. Sailors could drink and buy goods on credit; Torgsin charged their ships. Gol'dshtein considered the captains' desires as well: to make them comfortable, he did not allow ordinary crewmen into the room where those of "blue blood" were spending their time. When it came to an investigation, Gol'dshtein readily admitted all the facts of these "anti-Soviet work methods," including calling sailors to "private rooms" and "sexual intercourse."[16] In the seaport torgsins the revolution's dreams of a new world crashed over lucre.

An angry letter, "My Impression of Torgsin," by someone named Jones who visited the Odessa seaport describes Gol'dshtein's bar:

> I know that Torgsin's main function is to provide currency for the five-year plan. Torgsin's licentiousness, however, gives the impression of a genuine brothel in capitalist countries. . . . When a ship chandler first boarded our ship, he told sailors that girls in a bar are awaiting them. . . . One girl . . . stood out from the others because of her behavior. I think she justified herself well by luring sailors and selling them champagne to provide money for the five-year plan, but she also did well in another matter by explaining to the sailors how to get rubles. She told them to buy Moskva cigarettes for ten [gold] kopecks in the bar and then to resell them to the street hooligans for three [regular] rubles. When you come to Torgsin's door, you can always see the young hooligans who stop sailors and ask them to buy them cigarettes in Torgsin. Comrades, I find this outrageous. Maybe the currency is for the five-year plan, but it affects Odessa's workers. A sailor can spend time here from his ship's arrival to its departure and learn nothing about the five-year plan, socialist construction, the Soviet sailors' and workers' life, etc.[17]

A Comrade Rossetti, who worked in the seaport interclubs indoctrinating Italian sailors, shared Jones's outrage.[18] In December 1932, he wrote:

> There are numerous prostitutes and semiprostitutes in other Black Sea ports, but here in Odessa there are thousands of them, and among them there is a secret organization and a division of labor and territory. The prostitutes are even allowed to enter the seaport, to board ships, and a few dozen of the most privileged of

> them make the beauty and pride of the local bar, which is a true brothel. . . . In fact, the prostitutes say to us that they work for the bar and Torgsin while we [work] for the interclub, and that the interclub is a political institution, while Torgsin and the bar are Soviet institutions, authorized brothels.[19]

Authorized? But by who? Archival documents allow us to say that Narkomfin advocated seaport entertainments in the country's financial interests. In the fall of 1931, a member of Narkomfin's board, Reikhel, lamented the fact that some seaport cafes did not admit women, so sailors had to drink exclusively in male company. "The local authorities' mores are too strict," Reikhel said. "Entertainment, music, a bowling alley are needed."[20]

The heads of the seaport torgsins, obliged to fulfill their currency procurement quotas, advocated free morals. The director of the Batum Torgsin, a certain Griunberg, protested to its board the arrest of three prostitutes in his Torgsin's bar by the militia at an interclub's request. The prostitutes were invited to the bar by foreign captains and, according to Griunberg, "behaved quite decently." He ominously warned the board: "I consider these actions of the local authorities to be wrong, because if repeated again in the future it will result in the foreigners' refusal to visit the bar, which, in turn, will affect our sales."[21] In Kherson, as the letter of Babinchuk to Rozengol'ts, cited earlier, suggests, regional Torgsin and party authorities turned a blind eye to prostitution. Babinchuk wrote: "The highly positioned communists were aware of the outrage in Torgsin." Among them he named the former head of the Kherson Torgsin, Rechitskii, its acting head D'iachenko, and their deputies, a Narkomvneshtorg representative named Kattel', and a senior ship chandler of the Ukrainian Torgsin, Gorfel'd. "All of them had visited and seen everything," Babinchuk concluded.[22]

The seaport torgsins' currency extremism—that is, the adherence to conviction that all means are good for extracting valuables—flourished with the inaction or assistance of the local political police and militia.[23] Comrade Rossetti from Odessa, mentioned above, wrote in 1932: "One day I arrested two prostitutes who were beating our activist on the main street, accusing her in front of the sailors of working in the interclub as a consul's informer [spy]. In the militia they told me that prostitutes engaged in their trade to earn a few kopecks, and that I am mistaken in thinking that the militia could fight prostitution."[24] Babinchuk's letter to Rozengol'ts about the outrages in the Kherson seaport torgsin, confirms

the complicity of the police. In particular, it says: "It is evident from the testimonies that a GPU representative, Nendrik, visited Torgsin quite frequently and received services from the chief prostitute, Valia; after that she left the store with him through the back door, taking with her Torgsin goods; he took cigarettes, bread, etc. as well."[25]

The political police pursued goals other than personal interests in preserving the torgsin dens: the prostitutes and speculators collected information about foreigners. There was a good reason for Gol'dshtein to say that the making sailors drunk and providing intimate services served "political and intelligence work."[26] It may be, in fact, that it was the local GPU's protection that explained Gol'dshtein's confident calm during the investigation of his case; and it was no accident that the buzz around the "Gol'dshtein affair," started by the interclub in 1931, produced no results until 1934. Other ship chandlers also covered up their not quite Soviet actions with the OGPU name.[27] According to one document, the local GPU "advised" inspectors and those who were unhappy with the torgsin dens to not go there.[28] Only after alarming signals reached the top authorities in Moscow and caused international scandals did the regional GPU offices take action. Thus in Kherson, only after the Greek sailors complained to the Comintern did the Odessa GPU arrest the head of the torgsin, the ship chandler/pimp Strumak, the prostitute Valia, and Rechitskii, the former head of the local Torgsin office.[29]

Documents suggest that the local party organizations at best "opposed the *expansion*" of torgsins' bars because of the prostitution that flourished there.[30] However, they did not demand that the torgsin dens be shut down, since the same party authorities were responsible for the fulfillment of the hard-currency procurement plans assigned to their regions. In fact, the commission of the regional party committee, which had inspected the seaport torgsin in Kherson, attested that Strumak was a "qualified employer who handles his job well."[31] The local soviet and trade organizations, despite receiving numerous signals, also refrained from taking radical action. It should be said that the Torgsin Board in Moscow did not take any decisive measures against the peculiar methods of work of the seaport torgsins for a long time. Indeed, why kill the goose that lays golden eggs? In January 1933, in response to the International of Sailors' uproar about the situation in Odessa, Torgsin's deputy chairman Iu. S. Boshkovich proposed that Odessa's Torgsin office merely "take a number of rehabilitating measures that would ensure the currency flow without discrediting our institution."[32] In February 1933, Torgsin's new head, Stashevskii, was again confined in his directive, sent to the seaport

torgsins, to take merely partial measures, such as to use only male employees in the bars and "not to serve hot meals there, restricting sales to only cold snacks."[33] Stashevskii's requirement, "to insure maximum extraction of currency from foreign sailors," predetermined to failure any of the "rehabilitating measures" to combat the seaport torgsins' currency extremism.

The interclubs were the only organization that declared war on the seaport torgsins. They had to. Lectures on the advantages of socialism combined with the poor assortment at the interclubs' buffets did little to attract foreign sailors, who more willingly visited the decadent torgsins. Empty interclubs forced their political workers into action. The International of Sailors bombarded the All-Union Central Council of Trade Unions (VTsSPS) and the International of Labor Unions (Profintern) with alarming letters, demanding that Torgsin, which had gone too far, return to the "Soviet order." The buzz raised by the interclubs about the prostitution and speculation in the seaport torgsins reached the top levels of the party.[34] In 1933, the TsKK-RKI discussed the methods employed in the seaport bars. In April 1933, finally, drastic measures followed. The deputy people's commissar for external trade, Loganovskii, whether on his own initiative or directed from above, ordered the regional Torgsin's offices to limit their trade in seaports to shops.[35] Bars and buffets from now on could only be at the interclubs under political supervision. In the case of the seaport dens, ideological and political principles, after all, turned out to be more important to the Soviet government than its currency lust.

In response to these orders from above, the local heads began to play it safe and even went to extremes: together with prostitution and speculation, they banned orchestras in the restaurants allotted for foreign tourists.[36] In the summer of 1933, the turn of Gol'dshtein and other "alien elements" who worked in Torgsin came. As part of a broader purge required by the TsKK and the NK RKI, Stashevskii ordered the seaport torgsins to get rid of all former private shopkeepers, nobles, tsarist policemen and clergy, as well as kulaks, Mensheviks, Socialist Revolutionaries (SRs), Trotskyites, those deprived of voting rights, and those who had been convicted of criminal offenses.[37] The peace between Torgsin and the International of Sailors was formalized by signing an agreement according to which Torgsin had to provide "cultured trade" in the seaport interclubs. However, even after that, Torgsin's methods of emptying its customers' pockets brought complaints from the internationalists. The 1934 materials suggest that currency prostitution in

the seaports continued even after Torgsin's bars were shut down. Ship chandlers still served as pimps, sending prostitutes to the ships at the sailors' requests.[38]

In their hunt for hard currency, the seaport torgsins expanded their services by adding to the list: boat and mototram rides, delivery of fresh water, rentals, excursion tours, theater tickets, laundry services, haircuts, repair of containers, and battery charging. Several documents mentioned a sale of dogs for hard currency to sailors who were homesick. However, these services were too sporadic to bring much in earnings. Supplies of fuel, oil, and timber, which Torgsin provided, did not produce a significant currency effect either. Foreign ships refused them due to high prices that exceeded both the Soviet export prices and prices in other foreign seaports.

The seaport torgsins also provided funeral services for sailors. One story in particular begs for attention as a quintessential manifestation of abandonment of revolutionary ideals because of hard-currency lust. It is remarkable for revealing Torgsin's essence. The story occurred in 1934 and was investigated by the NKVD. A sailor died in an accident on a Turkish ship. The captain ordered wood planks, fabric, and other items so the funeral would be performed according to the "Turkish rite." Soviet sailors, at the initiative of the seaport interclub, decided to demonstrate their proletarian solidarity: they paid for an orchestra, wreaths, and banners. The seaport torgsin's head, however, viewed the funeral as a chance to earn currency: the captain was charged not only for the goods he ordered but also for the cost of the land and even the orchestra, already paid for by the interclub. According to the local NKVD office, an ugly scene occurred when the bill was presented to the captain: he protested, asserting that the land was provided free of charge and "Muslim ritual did not allow for burial with an orchestra." Torgsin haggled, trying to get money for the revolutionary music and Soviet land. After Torgsin reassured the captain that the amount would be deducted from the freight anyway, he paid for the revolutionary attributes. The story, however, did not end here. Instead, it turned into a political scandal, because the indignant Turkish sailors wrote to a newspaper about the incident, while the Turkish ship authorities appealed to Narkomvneshtorg.

In this particular story, the NKVD acted as a guardian for the purity of revolutionary principles. According to the local NKVD head, Torgsin "forgot" that Soviet trade was not just a means of earning currency but had to be ideological and political in nature and had to implement

proletarian internationalism. If Torgsin could not bear the cost of the revolutionary funeral—continued the NKVD officer—then at least it should have neither robbed the Soviet interclub nor made the capitalists pay for the sailors' revolutionary solidarity. It should be emphasized that the NKVD officer did not have in mind here only honesty in providing services but political principles, because, in his opinion, "you cannot make a capitalist firm pay for ceremonies . . . that express Soviet sailors' revolutionary aspirations."[39] The dilemma in this case, however, was that the ideological and political commitment reduced the hard-currency earnings. Thus the pursuit of hard currency to finance Soviet industrialization demanded a revision, if not the complete abolition, of the principles of Red October. The building of socialism in the Soviet Union at times undercut the purity of class ideology. The funeral story, as well as the prostitution that semilegally flourished in the seaport torgsins, testify to the ideological unscrupulousness and corruption of Torgsin, which by trying to earn more currency served two masters—the socialist cause and capital. In this sense, Torgsin was a betrayal of the revolution in its seaport activities, as well as in its general principles of work. This conclusion is particularly important because Torgsin was not a private shop but a Soviet state enterprise.

The Soviet ship chandlers of the 1930s deserve special attention. Their portrait gallery included highly professional experts, as well as thieves, swindlers, losers, scum, and drunkards who found their last refuge in the seaport.[40] There were hardly any communists among them. The backbone of the cohort was those who started working in seaports before the revolution and continued, under the Soviet regime, to do what they knew well.[41] To get rid of "former and alien elements," and in response to an acute labor shortage, the Torgsin authorities attempted to create a staff of their own proletarian ship chandlers. In 1934, Torgsin rather belatedly opened short-term training courses in Odessa and Leningrad.[42] The OGPU supervised the selection of the cadets. Despite a sizable state investment —five thousand rubles per cadet—the attempt failed due to mismanagement and the sabotage of the old seaport professionals, who used every means possible to drive away the young and inexperienced. Torgsin's local offices reported that the labor shortage and turnover in seaports remained high, and that the newcomers were "mostly losers."[43] Even the Leningrad seaport had difficulty finding people who knew foreign languages, let alone the provinces. In the Murmansk seaport, for example, right up to Torgsin's liquidation none of the ship chandlers spoke any foreign language, and many were illiterate even in Russian.[44]

According to reports from Evpatoriia (in the fall of 1932), the local ship chandlers' monthly salary was only thirty rubles, and they were not allowed ration cards. Even the Leningrad ship chandlers received a relatively low salary—a hundred rubles—while the work was not easy. At the height of the season, a ship chandler in the Leningrad seaport served over a dozen ships.[45] Because the vast port territory (about twenty-five kilometers), the service line between ships stretched from seven to fourteen kilometers, while buses ran only twice per hour and quite irregularly, so the ship chandlers had to cover long distances on foot.

Documents allow us to see the refining of the Soviet ship chandlers' appearance as the torgsins further developed their activities. In December 1930—it had been only two months since Sovtorgflot handed its seaport service over to Torgsin—the head of the Novorossiisk seaport torgsin, a certain Iazykov, described his employees as follows: "One wears a frayed, or 'even better' a torn, leather jacket, boots without soles, and a cap of a suspicious color and style, another—a jacket made from a fourth-term old soldier's overcoat unlined, its sleeves frayed, and if one were to bake this jacket's collar a soap factory could get two pounds of fat, or even worse, he wears dark-blue trousers with a gray patch on his behind." Seeing the ship chandler's shabby appearance, foreign captains sometimes bought them clothing out of pity.[46]

Like most of the population, ship chandlers were starving. At the same time, priceless delicacies passed through their hands every day. As Iazykov wrote, "Unable to take a lunch break, he [ship chandler] has to eat almost on the run, and in this case no one can vouch for the fact that he won't bite off a piece of cheese, sausage, ham, biscuits, or butter [from the food ordered by the ships—E.O.]." By making some simple arithmetical calculations, Iazykov concluded that if a ship chandler bit off at least 50 grams of cheese a day, then within a year seven of his employees would eat about 130 kilograms of the food that was supposed to be sold for hard currency. Add to this "other delicacies that caress the eyes and stomach," then the hundreds of kilos turn into thousands.[47] Firing people for such violations was not an option—there would not be anyone left to work—so Iazykov requested instead that Torgsin create a special fund to dress and feed ship chandlers, since they were practically the first Soviet representatives that foreign sailors saw when they reached the USSR. Apparently, Iazykov was not the only one who complained. In November 1932, the Torgsin Board issued permission for ship chandlers to buy from Torgsin, once a year, one suit, one coat, one pair of shoes, a hat, and three pairs of socks—true treasures in those shabby years, for which the ship

chandlers had to pay in regular rubles at low prices. To get those clothes, however, one had to have worked at Torgsin for at least three months—a much-needed precaution against cheaters. In addition, ship chandlers were to receive cigarettes—because otherwise they smoked cheap tobacco in a captain's cabin.[48]

By taking advantage of the lack of oversight in the seaport's vast territory, ship chandlers found their own ways to improve their material situation. They could appropriate some or all of the gratification money meant for captains either through outright fraud (fictitious accounts, fake captains' signatures) or by accepting whatever captains willingly offered them. The machinations reached a point where, in 1934, the Torgsin Board banned gratification payments to captains.[49] Ship chandlers could also beg captains for tips, small gifts, and treats. With the improvement of the food situation in the country, this practice did not stop, but instead of begging for food, the ship chandlers asked for rubber boots or imported gramophone records to speculate with on the black market.[50]

Documents reveal "criminal bonds" that sometimes emerged between a ship chandler and a foreign captain. Even a poor knowledge of foreign languages was not an obstacle! Together they could steal from the ship's crew: by agreement, a ship chandler presented the money spent on furs, binoculars, antiques, and other items purchased by the captain for himself as expenses for food purchased for his sailors. The seaport workers justified this practice by the state's notorious need for hard currency. "This method of work," wrote one of the ship chandlers, "strongly stimulated captains to order more of our goods." Moreover, this kind of stealing, in their view, undermined the capitalist system, since the captain's profit in this case was at the expense of the ship owner.[51] The captain did not forget to thank ship chandlers for their favors. Thus the private profits of Soviet ship chandlers, as well as Torgsin's profits were gained at the expense of the "proletarian sailors." There are reasons to believe that the Torgsin Board turned a blind eye to these machinations to gain more hard currency.[52] By 1934, ship chandlers no longer went about in patched and greasy clothes made from old overcoats turned inside out. They arrived on ships wearing brand-new leather jackets from Torgsin.

The appearance of the seaport torgsins beg for a few words. In the documentation of their inspections the epithets "beautiful," "comfortable," and "clean" are rare (the outwardly respectable included, for example, Gol'dshtein's "brothel" in Odessa). "I have traveled to all the ports of the White Sea," wrote an inspector, "and found that the ship

chandlers' business does not meet its intended purpose and falls short of Torgsin's expectations. The premises are simple sheds with the most primitive equipment."[53] Here is a description of the Feodosiia seaport torgsin: "A buffet operates in a tiny room. It is called a 'mousetrap.' When ten to fifteen people are inside, it is hard to breathe, and the room by itself is most poorly located; anyone who is not lazy could enter to beg. No restroom. Sweaty sailors are scurrying to the neighboring houses seeking a restroom." In Batum, a Torgsin seaport buffet was located "in a small, dull, uninvitingly furnished room" and sold exclusively beer; besides, one day it cost twenty-five kopecks, and on another thirty-five kopecks (because there was a piano playing on those days). Here is a description of a seaport torgsin in Poti: "A buffet counter the height of a stool is covered with an old piece of linoleum that in England is used to cover floors in restrooms. So the British simply sit on the buffet counter and, turning their backs on a barmaid, chat with each other."[54]

Foreign ships looked for fresh meat, vegetables, eggs, fruits, dairy and dietary products but received instead "moldy candy," "pork that smelled like fish" (sailors threw it overboard), and rotten vegetables. Soviet suppliers tried to get rid of stale goods by forcing them on seaport torgsins, the transportation system was inadequate, and refrigerators were a rare thing. Reports mention cases of poisoning and dysentery among sailors.[55] The usual Soviet chaos reigned: "if a car is here, a boat is not available; there is a boat but no car; if a car and a boat are both available, there is no gas; if there is gas, then there is no person to operate the boat, etc."[56] To service sailors better, the most responsible ship chandlers sometimes had to buy supplies at the local peasant markets.[57] Another thing that hurt Torgsin's seaport business was that Soviet prices exceeded those of the closest foreign seaports. Foreign captains preferred to stock up on salted meat and dried fruits before leaving their home seaports. Not being able to compete well, the Leningrad port authorities demanded that freight contracts include a clause on mandatory supplies in Soviet seaports so foreign ships were left with no choice.[58]

Foreign captains also refused Torgsin's procurements for ideological and political reasons and due to economic competition. A ship chandler from a Kem′ seaport wrote (1934): "All foreign ships, except maybe for the Latvian ones, where possible, boycotted our goods, buying only what was absolutely necessary or just what was cheaper than in England." The worst customers, in his opinion, were the Danes, because their ship owners prohibited buying in the USSR.[59] From Murmansk it was reported (1935) that "almost all ships under all foreign flags had a prohibition

against spending currency in foreign seaports, and this was especially noticeable in Soviet seaports." British captains, according to the Murmansk report, were in particular anti-Soviet.[60] In 1935, from Leningrad it was reported that a "captain of the Latvian ship *Helena Faulbaums*, a former tsarist officer on a British charter," bought nothing for the ship and did not give any credit to the crew. A captain of the British ship *Thurston*, out of political motives, also categorically forbade its sailors from buying anything in Torgsin even with their own money.[61] Germany's prohibition on purchasing goods abroad decreased the individual spending of German sailors.[62] There was enhanced surveillance in German ships, so captains asked Torgsin to keep their purchases a secret, and if one of their compatriots were present in a store, they bought nothing.[63]

According to the first, which also turned out to be the last, five-year plan for Torgsin, seaport trade was the only revenue article, the proceeds of which were expected to grow over time in absolute numbers as well as in proportion to other hard-currency sources.[64] However, the hopes for a significant currency inflow from ship chandlers' services did not come true. In 1933, for example, Torgsin's authorities expected to receive an average of thirteen hundred gold rubles from every foreign ship in the Leningrad, Murmansk, and White Sea ports but in reality got only slightly more than a hundred rubles.[65] The total currency amount provided by the seaport torgsins is unlikely to have exceeded ten million gold rubles (table 20). As Torgsin's five-year plan predicted, the seaport trade grew in absolute terms, but this increase was insignificant, and the share of the proceeds from the seaport trade in the total amount of all hard currency received through Torgsin remained low (about 3.5 percent). It is also noteworthy that a significant part of the seaport torgsins' revenues was not actual hard currency but hard-currency savings, owing to the supplying of Soviet ships sailing abroad with domestic goods rather than spending hard currency to purchase them in foreign seaports.[66]

Chapter 15

Torgsin and the Political Police

At first, the OGPU considered Torgsin to be harmful and argued against opening it to Soviet customers.[1] After the Politburo made a positive decision on the matter, however, the OGPU had to obey. Its representatives were on the governmental commission that, at the end of 1931, defined the regions and methods of Torgsin's activities.[2] The local OGPU offices provided information to Torgsin's emissaries about the "gold potential" of the region and the expediency of opening a hard-currency store there. Torgsin used the OGPU for many other purposes—to put pressure on negligent suppliers, to transport secret correspondence and valuables, to purge its apparatus of "socially alien elements," and to fight embezzlement and other economic crimes, to name a few.

Alongside this cooperation, there was a rivalry between Torgsin and the OGPU caused by the fact that both relied on the same source—people's valuable savings—to fulfill hard-currency and gold quotas prescribed by the state. Thus on May 10, 1930, the Politburo issued the following directive: "Oblige the OGPU within ten days to extract from one to two million rubles in hard currency."[3] That was a very substantial sum, and the time permitted was short. Torgsin had its own extensive hard-currency plans to fulfill as well.

Both the OGPU and Torgsin procured valuables for Soviet industrialization but utilized quite different methods. After the collapse of the legal hard-currency market of the NEP, Gosbank continued to purchase precious metals from the population, but there were not many

volunteers willing to exchange real valuables for depreciating regular rubles. To compensate for the lack of economic motivation, the OGPU relied on coercion against those who harbored hard currency and gold—home searches, arrests, confiscations, and executions. Torgsin did not need to use violence, because in exchange for their valuables it offered people foods and goods that were precious under conditions of acute shortages. The difference in motivation was crucial. While the OGPU agents chased—at times literally with a revolver in hand—the "hard-currency speculators" and "gold hoarders," these same people were storming torgsins begging them to accept their valuables for food. This induced voluntariness made Torgsin a successful rival of the political police in their fight for gold.

But what if one could turn the rival into an assistant? It is not known whose idea it was to use Torgsin to fulfill the OGPU hard-currency quotas—probably the practice developed spontaneously—but its realization did not take long. The OGPU agents began to spy on Torgsin's customers to see who had gold, and then by the usual methods—threats, arrests, searches, and confiscations—seized valuables. Some agents acted carefully, secretly watching Torgsin's clients to find out where they lived and then visiting their homes. Others burst into stores with guns drawn and arrested buyers at the counter or at the exit, confiscating whatever valuables they had with them together with the goods they had just bought. A storewide panic would ensue; customers ran away, and the few brave ones who didn't demanded that the store manager return their valuables. Complaints about the police's unlawful actions flew to the Torgsin Board from all over the country.

The earliest of the complaints found belong to the fall of 1931—that is, at the very beginning of Torgsin's work with Soviet consumers. Thus the Novorossiisk office of Torgsin complained about an increasing number of confiscations by the militia of goods purchased in Torgsin even though people presented store receipts to prove the legality of the purchase. Backed by an order of the EKU OGPU, police agents also seized gold and silver domestic objects.[4] Torgsin's regional offices protested the OGPU's actions.[5]

These earliest cases of police violations might be attributed to a lack of information on Torgsin and the inertia, chaos, and shock that accompanied the creation of such a peculiar organization. Indeed, an incredible thing happened: the Politburo, in fact, renounced the principle of the state's hard-currency monopoly. The Soviet people were now officially allowed to use hard-currency valuables as a means of payment

in state stores—torgsins—a privilege that did not exist even during the legal hard-currency market of the NEP. Such a sharp turn in state policy did not catch only the OGPU off guard. Financial inspectors also confiscated goods that were lawfully bought at torgsins.[6] It seems that some time was needed for local officials to get used to the idea that Torgsin's hard-currency operations were lawful.

As time went on, the TsK VKP(b) sent off to the regions a directive and a letter by Stalin requesting assistance for Torgsin.[7] The Soviet government issued a decree that required the OGPU to carry out its operations without undermining Torgsin's work.[8] The EKU OGPU sent off a circular to its local offices explaining that Torgsin had the legal right to trade in exchange for gold and foreign currency.[9] Narkomfin, Gosbank, and the People's Commissariat of Justice (Narkomiust) also informed their local offices, inspectors, and prosecutors about Torgsin's operations.[10] Torgsin stopped being a novelty and became part of everyday life. By 1932 and all the more so by 1933, the local GPUs were hardly unaware that Soviet citizens lawfully exchanged their valuables for goods in Torgsin, and yet complaints about police actions—arrests of Torgsin customers, searches of their homes, and confiscation of their valuables and purchased goods—continued to reach Moscow until the very end of Torgsin's operations.[11]

The head of Torgsin, Stashevskii, wrote in his December 1932 report to People's Commissar of External Trade Rozengol'ts that there was "extensive regional material that proved that the local GPUs and militia continued to conduct unlawful arrests of people who bought goods from Torgsin or received hard-currency transfers to their Torgsin accounts from abroad."[12] "On August 27, 1932," Stashevskii further reported, "Beigul Semen Georgievich, an agent of the local militia, came to our Store no. 3 in Kiev, and right there in the store subjected our customers to personal searches, and stopped only after the store director persisted. In the city of Voznesensk nine bakers brought to Torgsin foreign currency worth two thousand rubles and for that they were arrested by the local GPU. The GPU operations psychologically affected hard-currency holders. . . . In Odessa two agents of the Twenty-sixth GPU border guard detachment, with guns drawn, ran into our store and arrested an unknown citizen."[13]

People's complaints proved Stashevskii right. In 1932, in her letter to the Leningrad Torgsin a certain R. I. Pinchuk resentfully noted: "On October 3, *at 2 a.m.* [emphasis mine—E.O.], my daughter, Ida Davidovna Pinchuk, was arrested by the Fifth Militia Department. The reason for the

arrest is the confiscation of foreign currency. The only foreign currency she had was the money I receive from America from my children. All the money transfers arrived directly to your address as well as to Gosbank. . . . I ask the Torgsin Board to take action to free my daughter; otherwise, I will have to refuse any more money from America."[14]

This letter illustrates the arguments Soviet people used in their defense: the legitimate possession of hard currency and threats to refuse further foreign remittances and to tell relatives abroad about the incident, which was fraught with a decrease in money transfers as well as providing a pretense for anti-Soviet propaganda.

A store director, a certain Polinovskii, in his report to the Kiev office of Torgsin, described another incident. It took place on December 13, 1932:

> Three unknown men approached the store, stopped a customer who was exiting the store, and demanded that he come with them. The customer handed his bag of flour to his wife and went with them. There was a long line outside the store, and I saw panic begin; soon there was no one left in or near the store. I ran out and asked these men where and why they were taking the customer. They answered that they were fully responsible for their actions. When I demanded they present their IDs, they said that they were GPU agents and refused to show documentation. I invited them in and called the GPU. Afterward, a militia associate head, Comrade Kraizert, wrote a protocol and asked Comrade Tverskoi, the salesman Gurevich, and me over to his office.[15]

Given that the "agents" did not try to run away and the store director had to write a report to explain his actions, the men who made the arrest were indeed GPU agents.

In 1932, the head of the Pskov office of the Leningrad Torgsin reported that "customers from distant localities did not come because they fear repression," while from Tashkent it was reported that people who brought valuables to Torgsin by any means tried to conceal their names and address.[16] At a meeting of the Leningrad Torgsin, an employer suggested posters be printed out to calm the population by giving security guarantees to Torgsin's customers; otherwise, he said, "the public was afraid of bringing over their miserable rings and watches."[17] Such posters, though, rather poured oil on the fire by making the rumors public.

These incidents continued into 1933. A certain M. B. Koen, in his

complaint to the director of the Kiev office of Torgsin, wrote:

> On June 27 this year I had my [gold] crown taken out by a dentist, who lives on 24 Piatakov Street, and brought it to a store, the one where they accept [precious] metal scrap. I got a coupon book [Torgsin money—E.O.] and received 140 kilos of rye flour in Store no. 2, and in Store no. 3 I bought another 70 kilos of flour. I was given a receipt with a permission to transport the flour to the towns of Proskurov and Uman′.[18] However, they [the OGPU—E.O.] took the flour and the receipts from me, so I ask the director to order them to return the three bags—210 kilos—to me.[19]

According to a report from Kherson "a peasant [no name given—E.O.] received twenty-five dollars by certified mail, came to Torgsin, bought goods for eleven dollars and kept the rest of the money for himself. On the way home, the militia arrested him, then confiscated his goods and hard currency even though Torgsin confirmed the purchase."[20] The Valdai Torgsin office reported that a financial inspector confiscated Torgsin money and goods—sugar, canned fish, and vodka, totaling 7.55 gold rubles—from a woman who lived in the village of Zagor′e. Shortly after, the OGPU burst into her home and took a few tsarist gold coins.[21] From Uzbekistan there was a complaint that the militia confiscated flour from Torgsin's customers at a store exit.[22] In 1933, the head of the Turkmen Torgsin reported that in Merv a Torgsin customer was taken to the GPU office; in Chardzhui a person established an observation post in front of a store and almost openly spied on Torgsin's customers; in Kerki the administration of a power plant fired a person for buying and, apparently, reselling Torgsin flour.

The political police also acted by pressuring Torgsin's employees. It forced appraisers to give up the names of the people who brought gold to Torgsin or made them supply customers with bogus receipts and then submit the unregistered gold to the OGPU; the police invited obstinate directors over "for a talk."[23] Threats and coercion were widely used. In Ashgabat the GPU searched the home of a Torgsin appraiser, a former jeweler, who had just been hired. The next day, the man ran away without even collecting his documents from Torgsin.[24] From the Valdai region came this report: "The other day an OGPU agent, Comrade Isaenko, arrived at our store. He was wearing a civilian coat, but all the same everyone knew him . . . here in the store he pestered an appraiser with a question—'And you, where are you hiding gold?' The appraiser replied: 'If

you think that I have it, then go and search.' After talking to a cashier and hanging around at a cashier's window for about fifteen minutes, he left."[25] The agent left but accomplished his goal by planting fear among employees and customers.

The memoirs of those who survived the famine in Ukraine confirm the archival evidence of persecution of Torgsin's customers. A certain Boris Khandros, who lived in the village of Ozarintsy, remembered the following in his videotaped interview to the Shoah Foundation Institute:

> These were very rich stores. There was everything in those stores, but you had to pay with gold. Besides they turned into traps, a mouse trap . . . if Mom brought there a piece, a ring or a something, no one bothered her, especially since they knew our family well. But if a Jew came, say Moisha Katsev, and brought five rubles. . . .[26]
>
> —A coin?
>
> —Yes, five rubles, a [gold] coin, then immediately they registered and arrested him. These cells were called the "golden cells" [cells where the OGPU kept the arrested to make them give away their gold—E.O.]. They stuffed these cells. People were forced to stand there for weeks, and gold coins were knocked out of them. Knocked out was what people stashed away long ago, back in the years of the Civil War.[27]

Another person from Ozarintsy, Lazar' Lozover, proving Khandros right, testified:

> I remember when in 1933 or in 1934 a lot of people were arrested for gold . . . my father was taken . . . And there was a man in the village, his name was Entin. Rumors said that he was a *stukach* [secret police informer—E.O] . . . Mom and I, we lived in poverty. We had nothing . . . She came to him [to Entin—E.O.] and said:
>
> —Haim, what is it? Why did they take my husband?
>
> —Don't worry. Tomorrow he will be home. You know our life, all our stuff. Don't worry.
>
> Tomorrow indeed my father returned home. Beaten. They pinched his fingers in a door to make him confess whether he had anything or, if he had nothing, then to make him name those who had [gold]. Understand? There were those who had. Kosov. He dealt in cattle, he had gold. They took everything from him, and

> they took him away too. They took him away and nobody knew where he had gone. Well, rumors said that he was killed—that, they say, he was not needed anymore, that they had already used him for this matter, and that he was shot.[28]

The political police had other ways to extract hard currency. It demanded that people who received money transactions to Torgsin from abroad transfer a portion to the OGPU or make "voluntary donations" to an industrialization fund, for instance.[29] An anonymous letter sent in the summer of 1933 from Leningrad to the OGPU head, V. R. Menzhinskii, reads: "The OGPU in Leningrad is forcing working citizens who have Torgsin coupon books to transfer the lion's share of their money from their Torgsin accounts as voluntary donations. Sometimes these donations are almost the total amount people have in their Torgsin accounts. Citizens under the influence of repression or out of fear of repression give away all that the police demands, sometimes even more, to avoid persecution."[30]

The OGPU could confiscate money from personal Torgsin accounts without the owners' approval. A document describes such a case: "In Zaporozh'e a director of our store was invited to the GPU and asked to make a money transfer to the industrialization fund of thirty dollars from the account of a customer who had been arrested earlier."[31] The OGPU agents tried to build a logical foundation for their demands, reasoning that if the customer could find money for himself, then he certainly could find some for the country as well.[32]

The OGPU used to justify the confiscation of gold and hard currency by the fact that people were hiding these valuables so the state had no other way to get them. The political police's confiscations of money transfers to Torgsin does not fit this explanation. In this case, the OGPU seized the money that had already been deposited into the account of a state organization—Torgsin. The hard-currency transfers to Torgsin were not only legal; the government, by any means, encouraged this practice, while the political police actions undermined it. The confiscations of hard-currency transfers thus reveal the true nature of the OGPU anti-Torgsin operations—the political police pursued its *institutional* interest (that is, the fulfillment of its own hard-currency plan) even when it meant putting its goals above not only those of Torgsin but also those of the state.

The OGPU operations made people suspicious. Rumors spread that Torgsin was created "to help the OGPU," that it was an "auxiliary

enterprise" of the political police, a "trap for those who had gold," and that pictures of customers secretly taken in torgsins were then sent to the OGPU.[33] Any con nection with the political police scared people away. The head of the Valdai office of Torgsin, explaining why one of his stores did not fulfill its hard-currency plan, wrote that a wife of an OGPU agent worked in the store as a cashier—"everyone in town knows her and asks why she is there."[34] A letter from Alma-Ata describes a similar situation.[35] The Torgsin Board informed the government that all its regional offices had received inquiries from the population about "whether it was safe to receive money from abroad, given the OGPU campaigns."[36] Suspicions were so widespread that there were cases where customers became surprised at not being persecuted: "A citizen of the village of Chekunovo came to a store in the morning at seven a.m., made a purchase for twenty gold rubles, and was surprised when nothing bad happened. She said: 'Everyone in our village says that the minute you enter Torgsin, you will be arrested. Now I will go home and tell people that it is not true, and there will be many who will come to buy.'"[37]

After each of the OGPU assaults, Torgsin raised the alarm and calculated the damage, including the negative psychological effects on customers, scandalous international publicity, and, most importantly, a decrease in sales. Damage done to Torgsin was a blow to industrialization and therefore to the state's plans. In Kherson, an OGPU campaign against "currency speculators" in November 1931 caused sales in Torgsin to drop from seven hundred to one hundred dollars a day. In Kotlas, after arrests conducted by the OGPU in December 1932–January 1933 (a hundred people, in total, were arrested), sales at Torgsin practically ceased. Sales in torgsins in Tiflis, from October to December 1932, dropped from 800–900 to 200–300 gold rubles a day.[38] The OGPU operations intensified in the last quarter of the year, the time when the political police had to report on its achievements on the major Soviet anniversaries—the Day of the Revolution (November 7) and the Day of the Constitution (December 22). It was also the time to account for the accomplishment of its annual hard-currency plan. All of this evidence proves once again the "institutional self-interest" of the OGPU's anti-Torgsin actions.

The fact that Torgsin's sales substantially dropped due to the OGPU operations allows us to question the latter's economic efficacy. As a result of the OGPU actions, the state lost revenues. Moreover, the available documents show that the political police confiscated mostly insignificant amounts of cash from Torgsin's customers—several dollars or a few gold coins, while the consequences were harmful—fears spread quickly,

paralyzing the population. Shortages and famine provided a much stronger stimuli for people to give their valuables to the state, thus making Torgsin's work more economically efficient than the OGPU's sporadic punitive actions. Ultimately, the hard-currency results achieved by the political police were negated by Torgsin's losses. Why then did the Politburo not forbid the OGPU hard-currency campaigns during the time when Torgsin—a much more efficient tool for this purpose—was in operation and only demanded that the political police act with caution?

There may be several answers to this question. It may have happened because of some stereotypical belief that if more organizations were seeking hard currency, the state would receive more. Another possible explanation is that the Politburo viewed Torgsin as a temporary and extraordinary measure. Despite the enormous profits that the state gained from this enterprise, the country's leadership could not fully accept its methods because it contradicted some axioms of the political economy of socialism, most importantly the state's hard-currency and gold monopoly. The period of Torgsin's existence was the only time in Soviet history when citizens had the right to legally make purchases with hard currency and gold. The Soviet leadership tolerated Torgsin just as, a few years earlier, it had tolerated the NEP. Similar to the NEP, which the government employed to revive an economy ruined by wars and revolutions, Torgsin was an emergency measure to accomplish an ambitious industrialization program. Since, from the leadership's point of view, Torgsin was only temporary, what would be the point of restraining the political police—the permanent pillar of the regime? Moreover, precisely because the leadership viewed the concession of hard-currency rights to the population as an abnormal and extraordinary situation, it needed the political police to keep it under control and prevent "hard-currency speculation." The OGPU, however, abused its power by making the definition of hard-currency speculation—already rather elastic in Soviet justice—even more arbitrary.

So far, the analysis in this chapter has dealt with the hard-currency rivalry of Torgsin and the OGPU from the point of view of the state's interests—the extraction of valuables for industrialization. It is time now to look at this rivalry from the ordinary person's point of view. What might it tell us about Soviet everyday life in the 1930s?

Before Torgsin opened, the state's policy was clear. Private operations with hard currency and gold—hoarding, sale, exchange, and utilization as a means of payment—were considered an economic crime, hard-currency speculation, and thus persecuted. The OGPU held jurisdiction over this.

With the appearance of Torgsin, the situation changed. By allowing people to make purchases in Torgsin with hard currency and gold, the state seemed to recognize the legality of their private possession. These internal hard-currency operations, albeit limited to Torgsin, were allowed. The OGPU was tasked with not allowing hard-currency operations to go beyond the legal sphere. In this way, the government separated the functions of Torgsin (legal hard-currency operations) and the political police (suppression of the black market). The OGPU, however, by helping itself to fulfill its hard-currency procurement targets, persecuted people who had undertaken lawful actions.

The OGPU's abuse of power complicated people's understanding of the situation and caused uncertainty about what was legal and what was not. Even while undertaking lawful operations in Torgsin, people did not feel that their hard-currency rights were guaranteed. It is not surprising, then, that when arrests were made in Torgsin, its customers rarely stood up for their rights but instead ran away; they trusted neither Torgsin nor the state. Going to Torgsin was a gamble undertaken at one's own risk.

The fact that the political police did not arrest every person who entered Torgsin, but instead acted selectively and without consistency, caused more confusion. Why did the OGPU arrest some but not touch others? It seemed as if some people could utilize their hard-currency rights while others—and these were arrested—were refused them. If so, then where was the line that separated one group from the other? People sought to understand the logic of the OGPU's actions, to rationally explain the arrests. Could it be that the reason was the social status of customers and their source of obtaining valuables? A party member's letter illustrates this reasoning: "As far as I understood and understand, those with gold must be arrested who are former merchants, salesmen, speculators, and bureaucrats of the old regime, [tsarist—E.O.] policemen, and kulaks but not the working people, the proletariat, the *seredniak*, and the poor, who indeed must have the right to exchange their gold in Torgsin without fear and dread."[39] In other words, those who became rich by exploiting other people had to be refused hard-currency rights. These people were by law to be arrested if they went to Torgsin.

It would not have been difficult for the government to make this type of social distinction. After the revolution, the "former exploiters" were registered by the state as *lishentsy*— people deprived of political rights. The government needed only to indicate by issuing a decree that *lishentsy* could not shop in Torgsin. Social, political, and economic discrimination against the *lishentsy* was the norm in the 1930s; a refusal to extend hard-

currency rights to them would have fit the picture. However, in Torgsin the government did not divide its citizens by their social status, sources of hard currency, prerevolutionary activities, nationality, and so on. There is not a word about this kind of stratification in the decrees that regulated Torgsin's activities. An economic condition—possession of valuables—was the only requirement in Torgsin, and it did not matter who brought gold to Torgsin or how people obtained it. Thus in Torgsin the leadership sacrificed the fundamental principle of Marxism—the notorious class approach.

Returning to the earlier question about the line that separated those who were arrested in Torgsin and those who avoided prosecution, one, therefore, has to conclude that social origins were not the cause for arrest. There were, of course, "former exploiters" among the people arrested in Torgsin, but there were plenty of workers, collective farmers, and white-collar employees among the arrested as well. The author of the above-cited letter who was angry about the OGPU's actions admitted that everyone, whether proletarian or peasant, entered Torgsin with fear.

A person seeking logic in the arrests of Torgsin's customers might also assume that the OGPU pursued only those who accumulated a substantial amount of hard currency and gold and did not touch those with insignificant possessions. This assumption does not match the facts either. De facto, with Torgsin's appearance, the OGPU lost the right to arrest anybody for having hard currency or gold, no matter how big the amount. As previously stated, the hard-currency rights were granted to everyone, without exception. According to Torgsin's principles, possession of hard currency and gold by itself no longer made a person a criminal. The OGPU could persecute people only for the illegal use of hard-currency valuables, such as black-market operations, but even then it did not matter how much hard currency and gold a person had. Moreover, according to the logic of Torgsin's operations, the more a person brought to its store, and therefore the more valuables the person had, the better. Government decrees that regulated Torgsin's activities did not differentiate between the hard-currency rights of those who had a substantial amount and those who had an insignificant amount of valuables. The difference here was, once again, purely economic—those who had more valuables could buy more. A "small owner of valuables" (*melkii derzhatel' tsennostei*) or a "big owner of valuables" (*krupnyi derzhatel' tsennostei*)—such terminology, although it existed in Torgsin, had only an economic meaning that did not imply a difference in hard-currency rights. Finally, the assumption that those who were persecuted were, only

or mostly, "big owners of valuables" also is disproved by Torgsin's complaints that the OGPU arrested people "sweepingly" (*ogul'no*), that mostly "small owners of valuables" became victims of the political police campaigns. The listed amounts confiscated by the OGPU are insignificant—a few gold coins or Torgsin rubles; the goods confiscated are not furs, caviar, or antiques but basic products—canned meat, a bottle of vodka, a bag of flour.

Another possible reason for the arrests of Torgsin's customers is that the OGPU persecuted only hard-currency speculators—black-marketeers. This is precisely how the OGPU agents justified their actions. Let's put aside the fact that the lion's share of hard-currency operations (private exchange and private trade in foreign currency) that were considered an economic crime in the USSR would not be considered as such in a market economy. More importantly, as the documents cited above prove, under the cover of antispeculation campaigns the OGPU regularly and deliberately arrested people for lawful actions, solely because those arrested had what the OGPU wanted—hard-currency valuables. The OGPU violated both the rights of Torgsin's customers and government decrees. Soviet everyday life in the 1930s was defined by the arbitrary actions of the political police. However, the story of the hard-currency rivalry between Torgsin and the OGPU allows us to go beyond that to reveal other peculiarities of Soviet everyday life.

The analysis undertaken in this chapter shows that there is only one rational explanation for the prosecution of Torgsin's customers—they had valuables. Neither proletarian origin nor being in possession of an insignificant amount of gold or hard currency nor even the lawfulness of their actions protected Torgsin's customers from being followed, searched, deprived of their possessions, or even arrested. Blind chance decided whether one's trip to Torgsin coincided with an OGPU operation or not. Any visit to a torgsin therefore was a gamble. A safe return home was not guaranteed. Thus the everyday routine of shopping turned into a risky business. Soviet everyday life, where even a trivial thing could become THE EVENT leading to triumph or tragedy, definitely had elements of risk and adventure. This eventfulness of Soviet everyday life was not necessarily a feature exclusive to Stalin's time. With the dictator's death, the mass repression ended, and the everyday risk diminished, but the acute shortages, arbitrariness, red tape, and many other factors continued to imbue daily life in the USSR with a sense of adventure.

In this connection, a story from the 1980s paper recycling campaign in the USSR is revealing. To stimulate people, the government offered, in

exchange for waste paper (old newspapers, journals, etc.), coupons to buy books. Classic and contemporary literature at that time was in short supply in bookstores, while a desire for home libraries was high, so the motivation proved strong. People stood in long lines to exchange waste paper for books. Friends and neighbors combined efforts: someone went early in the morning to secure a place at the top of the line, fearing that the recycling point would run out of coupons for the books in high demand—the historical novels by Alexander Dumas, for instance. Another neighbor would replace the first one in line after standing for several hours; a third provided transportation of the heavy piles of old paper to the recycling point, someone else babysat small children so parents would not need to drag them to the line. People long remembered this event. The books obtained in this way were perceived differently. Alongside their own value as literature, they were reminiscent of an adventure; their purchase turned into a life accomplishment.

Soviet life was a routine adventure in the sense that exciting or tragic events occurred every day and in relation to simple routine matters. The routine eventfulness of Soviet life was exhausting; every trifle could present a problem to overcome—fixing a door lock, purchasing furniture, receiving a passport when the state offices in charge were out of passport forms—the list is endless. These routine adventures may look pitiful to Western outsiders, a waste of people's energy and precious lifetime. However, the Soviets, the author of this book included, did not view these "trifles" as insignificant or pitiful because they consumed an enormous amount of time and energy. In the West it would not require great effort to solve such problems—painless, easy, and nothing to remember. In Soviet life it took days, weeks, months, years to solve them. Although insignificant from the Western point of view, the routine adventures were endured by the Soviet people as tragedies or celebrated as great victories. Somebody spent hours in line to find out that the store had run out of coats or shoes in her size—a tragedy! It took only three hours instead of three days of standing in line at a local OVIR (Passport and Visa Agency) office to renew one's passport for travel abroad—a victory! People long remembered these "insignificant" events, were proud of success or grieved over failures. This routine eventfulness saturated Soviet everyday life with emotion and made it peculiarly exciting. Foreigners who lived in the USSR for an extended period of time knew this phenomenon. Their recollections present Soviet everyday life as trifling, exhausting, but also emotionally rich. A Soviet emigrant in the West recalled with a shudder the unbearable pressures and tensions of everyday life in the USSR but

missed its emotional fullness.

Turning from the 1980s, let us go back to Torgsin. Risk and adventure require self-sacrifice and even heroism. What, one would think, is heroic about buying pants or bread? However, Torgsin's story proves that a certain determination, overcoming one's hesitations and fears, were needed to enter its stores. Who knows how many sleepless nights people spent making the decision to cross for the first time the threshold of the unknown enterprise with the puzzling name "Torgsin." To minimize risk, people employed certain strategies. Some did not go to a local torgsin but instead traveled to another city where no one knew them. If, while exchanging their valuables, they saw an acquaintance, they might leave valuables with an appraiser and depart, to return a few hours later.[40] Fear that an acquaintance could report them to the OGPU was stronger than the fear of losing valuables. Peasants were especially cautious. The Nizhnii Novgorod office of Torgsin reported that before making a purchase, peasants observed the situation around the store and even followed customers to their homes to see if anything happened to them. Sometimes they whispered in a salesman's ear: "Won't they arrest me? I have gold coins."[41] Strategies of survival were supplemented by strategies of enrichment. There were entrepreneurs who disguised themselves as OGPU agents—a criminal mimicry—and robbed Torgsin's customers (the OGPU operations were robbery as well but done not for personal but for institutional benefits). The head of the Moscow office of Torgsin alarmed its store directors: "Recently a gang of crooks has been working around our stores who, disguised as GPU and militia agents, first choose their victims in a store while people appraise valuables or purchase goods and then stop them at the exit and confiscate whatever valuables they have."[42] The word "OGPU" had a paralyzing effect and allowed the pseudoagents to rob people in broad daylight in front of other customers.

The real police agents could use the OGPU antispeculation campaigns for personal benefits by confiscating valuables for themselves. In a report to the head of the Kiev office of Torgsin, O. M. Fainshtein, a store director, wrote:

> An agent of the Criminal Investigation Department, Kazimirov, ran into the store with a revolver in hand, chasing a customer. I asked Kazimirov to put the revolver away and went to phone the head of the Petrovskii Regional Militia Office. Returning to the store, I asked Kazimirov to bring a warrant for the arrest to our store from the Economic Department or Operative Department [of the GPU—

E.O.]. Kazimirov left and never came back. The man awaiting arrest remained in the store until it closed, after which we released him. There are no words to describe the panic in the store. I want to inform you that the citizen awaiting arrest refused to go with the agent [Kazimirov—E.O.] because he was afraid of robbery. According to him, Kazimirov had confiscated twelve hundred rubles from him on the street two days before. It seems true to me because Kazimirov took his father with him for the operation. In the present case, I myself saw an old man at the corner of the street waiting for the outcome.[43]

Torgsin's administration defended its customers. Documents often mention that Torgsin's clients were freed from arrest and their possessions, goods and money, returned to them. However, people's suspicion that Torgsin worked for the political police was not entirely groundless. Thus the last head of Torgsin, Levenson, in 1935, informed its regional offices: "The NKVD agents have the right in some cases to demand from you information about the quantities of valuables brought by some individuals and the names and the addresses of these people. However, the police agents have to obtain this information only from the administration of stores and appraising offices."[44]

It seems that after four years of hard-currency rivalry a compromise had finally been achieved between Torgsin and the political police. Torgsin did not mind informing police about its clients as long as it was done secretly. According to the above letter, the administration of Torgsin's stores became the political police's part-time agents. To be sure, the OGPU/NKVD also had full-time paid agents in Torgsin, who were either planted there or recruited from among its employees. These cadres also provided the political police with information about customers and their accounts. Thus the risk and unpredictability of visiting Torgsin remained. An event as trivial as going to a store could bring devastating consequences. It seems like no accident that Soviet people used a military term, *pokhod (v magazin)*, to mean the everyday routine of shopping.[45] Soviet everyday life required heroism; risk and adventure became its norm.

Chapter 16

The Seller Is Always Right

Torgsin's staff grew large and troublesome. At the end of 1932, it employed only about twenty-six hundred people, while in 1934 almost twenty-two thousand worked in its trade network alone. In October 1935, on the eve of its liquidation, Torgsin's personnel still remained numerous—11,600 people were engaged in trade, and more than 1,000 were employed in its central and regional administrative apparatus.[1]

The quality of staff was Torgsin's big problem. The government had to choose between political loyalty and professional qualifications. These two somehow did not go together: as a rule, a faithful party member had neither education nor experience in commerce, while an educated professional usually belonged to the "former exploiters" of tsarist Russia. Stashevskii wrote (in the spring of 1933): "The selection of socially appropriate employees in our enterprises is no less important than the identification of the disguised kulaks in the collective farms."[2] The OGPU investigated those who worked in Torgsin. In an attempt to reconcile party loyalty with professionalism, in Leningrad, for example, special courses were established to train appraisers from among the party and Komsomol members and workers.[3] But the problem of the personnel's limited skills could not be solved quickly. Meanwhile, Torgsin had to rely on nonparty specialists.

Torgsin's leaders found a compromise solution to the dilemma. The administrative apparatus consisted of party members with some

elementary education who served as political commissars in Soviet trade.[4] Representing a minority of Torgsin's staff, they held power. Specialists (economists, accountants, merchandise experts, etc.), sales clerks, and cashiers, as a rule, had education and experience but were not party members. All the Torgsin chairmen, as their biographies testify, were professional revolutionaries with considerable party experience. Their deputies were from worker and peasant families and joined the party in the most difficult years of the Civil War.[5] In 1935 (data for other years were not found), only two of the eighteen holders of leading positions in Torgsin's central apparatus were not party members: the director of the import office and the chief accountant.[6] Among the remaining central apparatus staff, the party layer was thin: only 94 of 518 people were communists, and 15 were in the Komsomol. A similar ratio between party members and nonparty specialists existed at Torgsin's regional offices. Of the regional office heads in 1935, all but one were party members, most of whom had joined the party during the Civil War. However, out of 13,800 of the remaining regional employees, party and Komsomol members barely exceeded 2,000. For example, more than 80 percent of the Leningrad Torgsin's staff were not in the party.[7] In the spring of 1932, in the All-Ukrainian and Khar'kov offices of Torgsin (stores included), out of 187 full-time employees, only 20 were party members and 9 were members of the Komsomol.[8]

Some Leningrad documents provide information about the social origin and level of education of Torgsin's employees.[9] In the spring of 1935, among fifteen hundred employees of the Leningrad office, almost a thousand (over 60 percent) had an elementary education—including the office head, his deputy, heads of groups, as well as all the store and warehouse directors, their deputies, and almost all the department heads at stores and warehouses. Most sales clerks (almost 80 percent) also had only an elementary education. A third of the Leningrad office's staff (about five hundred people) received a secondary education. These mainly worked as accountants, cashiers, and economists. And only fourteen employees, or less than 1 percent of the Leningrad branch staff in 1935, had a higher education, including two senior accountants, three cashiers, an inspector, four economists, and a lawyer.[10] The low level of education of Torgsin's employees even in the Leningrad region, where there were better chances to find and attract trained people than on the periphery, suggests that in remote areas the situation was even more depressing. For example, in the administration of Torgsin's Central Asian branch (heads of the regional offices, Torgsin Board's plenipotentiaries in

the Soviet republics, store directors), there was not a single person with a higher education. Two graduated from vocational middle schools, the rest (twenty-two people) had an elementary education. There were only two people with a higher education among the specialists of the Central Asian Torgsin: an economist and a lawyer, who graduated from law school under the tsarist regime.[11] Chairman Stashevskii—recognizing the overall lack of education, bordering on elementary illiteracy, among Torgsin's employees—demanded an overhaul of the entire corps of store directors.[12]

The social composition of Torgsin's staff reflected the major social cataclysms of the 1930s. Former peasants accounted for the lion's share of employees in the Leningrad office (850 people, or almost 60 percent of the total staff.) Many of them worked as cashiers (239 people), sales clerks (232 people), and in the accounting office (71 people). They were the peasant youth who ran from the horrors of collectivization to the cities and took advantage of the access to education facilitated by the state for the working classes.[13] Most of them graduated from professional schools that in addition to vocational training provided a general middle-school education. A significant number of former peasants (214 people) were employed in the Leningrad Torgsin as unskilled service staff. After the peasants, the second largest group of employees came from the "petty bourgeois" families (*meshchane*) of tsarist Russia: 375 people, or about a quarter of the entire staff of the Leningrad Torgsin. At first glance, it is striking that almost half of them (186 people) worked as unskilled and low-paid service personnel. Apparently, these were *lishentsy*—people of the former privileged classes deprived of political rights under the Soviet regime due to their social background. They could not get a better job. The presence of *lishentsy* explains why the service staff—the lowest group of Torgsin's employees—had so many people with a secondary and even a higher education (144 people, 3 of them with higher education). Employees who came from urban workers' families accounted for about 20 percent (299 people) in the Leningrad office. They worked as salesmen or service staff. Three former nobles were employed in the Leningrad Torgsin, as were twenty-four former artisans. The fact that the staff of the predominantly urban Leningrad office consisted mostly of former peasants confirms the earlier conclusion about the social nature of Torgsin. Torgsin was largely a peasant phenomenon. Could it be otherwise in a peasant country? The famine drove peasants into the ranks of Torgsin's customers; collectivization and industrialization led peasants to join the ranks of its employees.[14]

Torgsin, as a multinational enterprise, also had an ethnic profile. Its offices were located in all the republics of the Soviet Union. The principles of ethnic equality and the heyday of nationalities proclaimed by Soviet power, as well as an acute labor shortage, required recruitment of local ethnic cadres. The Torgsin Board sought to ensure that the store directors and a significant part of the administrative apparatus of offices in the republics were from the indigenous nationality.[15] This, however, was not an easy task because of the scarcity of communists and educated specialists among "indigenous people." There were some tricks to employ, though. An acting head of the Ashgabat Torgsin (Turkmen Republic), Russian by his ethnicity, wrote: "According to local law, the director has to be Turkmen, so our Central Asian office could not appoint me higher than deputy director, while the director has not been yet found." He also complained that Narkomvneshtorg required the Turkmenization of the staff, "that is, we must have 40 percent of the staff recruited from the indigenous Turkmen people. We are perplexed here on this issue . . . few members of the indigenous people are literate, and none has the required qualifications." He also pointed out another difficulty: "you cannot order them around: they are Turkmen. This is considered a chauvinistic approach, and therefore a political scandal."[16] The indigenization of Torgsin's offices in the Soviet republics at times was hampered by the arrogance and ambitions of its board, which wanted to create an elite contingent of employees. Thus after an inspection of the Uzbekistan Torgsin, a district party committee penalized a certain Nozdrachev, a store director and representative of the Torgsin Board in Central Asia, for Russian chauvinism. Nozdrachev allegedly said that "he would not hire dirty Uzbeks," as well as "communists who do not wear ties," because Torgsin "trades for foreign currency and therefore it needs a special staff who are well-groomed in the Soviet way."[17]

An analysis of staff data of the Central Asian branch shows that the ethnic composition of Torgsin's top officials in the republican offices was mixed. At the beginning of 1932—when Torgsin had just started its activity in the region—a Russian, Vereshchagin, headed Torgsin's Central Asian branch, but then an Uzbek, Makhmudov, became the head; however, a Russian, Liutikov, was appointed his deputy. In 1933, a Russian, M. N. Raikov, became head of Torgsin's Uzbek office, the leading one in Central Asia, but his deputy was an Uzbek, M. Khodzhaev. Down the ranks, Russians prevailed among store directors and managers. Thus, in 1933, out of twenty-four managers and directors of Torgsin's Uzbek office, only seven were of the indigenous nationality, and among the heads of store

sections and specialists there were none.[18] In the spring of 1935—less than a year before Torgsin's closure—people of the titular nationality headed eight of Torgsin's ethnic offices: the North Caucasus, Kazan′, Kiev, Azerbaijan, Georgian, Armenian, Uzbek, and Tajik. Given the difficulties with finding staff, this was no small achievement.

As far as commerce is concerned, a researcher a priori could expect a significant number of Jews among Torgsin's employees. This assumption is confirmed by the documents. Jews came to Torgsin mainly by one of two ways: through their involvement in the Bolshevik revolution or through their traditional métier.[19] All of Torgsin's chairmen were Jews. In 1935, among the top eighteen officials of Torgsin's central apparatus, eleven were Jews. In 1935, Jews headed almost all the Ukrainian offices.[20] Most Jews among Torgsin's top officials joined the party during the Civil War. They were Bolshevik "middle-rank" leaders. Another group of Torgsin's Jews—heads of store sections, economists, lawyers, and so on—as a rule were not party members, they received their education and professional training before the revolution.

Torgsin's staff was predominantly male. Its central and regional leadership, as well as store directors and section heads, were almost all men.[21] In the autumn of 1933, in Leningrad only two of the forty-six store directors were women, as were seven of the eighty-six heads of store sections and two of the more than seventy top sales clerks. Even among rank-and-file sales clerks in Leningrad, men prevailed: 312 out of 448 employees. Only the cashiers' staff in Leningrad was predominantly female (323 women among a total of 352 cashiers).[22] Mostly, women worked as janitors. The Torgsin Board expressed concerns about the situation, demanding that more women be brought into the leadership, but the situation did not change much.[23] In Central Asia, for example, in 1935, only one of Torgsin's top and middle-level managers was a woman.[24]

Torgsin's employees received special "gold rations," the most significant privilege during those lean years. Rations included export-quality foodstuffs: flour, butter, smoked meats, pasta, rice, cheese, sugar, fish, tea. While others had to pay Torgsin with their family heirlooms, its employees got rations for regular rubles at relatively low prices. The gold rations were not only a recognition of Torgsin's role in industrialization but also a means to stop massive theft in Torgsin. At the beginning, the rations were given only to sales clerks, appraisers, and cashiers—that is, those who dealt directly with valuables and goods and therefore were more likely to be tempted and had more opportunities to steal.[25] Gradually, due to pressure from below, the Torgsin Board expanded the

gold rations to include new categories of employees. As regional reports document, those who were denied this privilege quit, which proves that gold rations were one of the main reasons why people wanted to work in Torgsin.

Torgsin's employees received relatively high salaries. In 1932–1933, the monthly salary of the regional offices' heads ranged from 350 to 500 rubles.[26] A chief accountant received 500 rubles, the store director (Saratov office) 250–300 rubles, a merchandise expert 250 rubles, sales clerks 100–200 rubles, and accountants—about 200 rubles a month.[27] In 1934, an average salary in Torgsin's network was about 160 rubles per month.[28] For comparison, in October 1933, in accordance with a decree of the All-Union Central Executive Committee (TsIK) and the SNK, the highest echelon of Soviet central organs (the chairmen and secretaries of TsIK of the USSR and SNKs of the USSR and republics, their deputies, the chairmen of the Supreme Courts of the USSR and the RSFSR, prosecutors of the USSR and Soviet republics, and others) were to receive five hundred rubles per month. The highest, so-called *personal'nye*, salaries reached eight hundred rubles. An average industrial worker's salary at that time was 125 rubles. Only a small layer of highly paid workers earned 300–400 rubles per month. Medical doctors received from 150 to 275 rubles, elementary and middle-school teachers 100–130 rubles, an OGPU plenipotentiary representative in the regions and heads of the departments in the OGPU central apparatus 350 rubles, an operative security officer 275 rubles per month. Among the lowest salaries in the country were those of 30–50 rubles a month, earned, for example, by low-ranking medical staff.[29]

In the 1930s, social hierarchy was also determined by geography; there was a big difference between the center and the periphery. The farther Torgsin's employees lived from the capital, the more their privileges remained only on paper. Salaries were delayed. Rations were issued irregularly and not to all employees; the assortment of rations and quality of goods were significantly inferior on the periphery than in big cities. It could not be otherwise, because Torgsin's gold rations were assembled from the products available in its stores, and the torgsins on the periphery overall were supplied worse than in the center. Besides, hungry people were not interested in Torgsin's delicacies: instead of expensive wheat flour, cheese, smoked meats, and bath soap, which by their high price "ate up" the lion's share of the ration but could not feed a family, people asked for more of the cheap rye flour.[30]

As discussed earlier, in 1933, the government began to differentiate

rations depending on fulfillment of production quotas.[31] The new order had the most painful impact on the employees of small stores in remote areas, where, due to a limited number of customers, the hard-currency plans routinely failed. "How can you pay appraisers based on piece work if their performance depends on customers?" one store director exclaimed. "If there are customers, they work, if there aren't . . . they are sitting idle."[32] The situation was aggravated by the fact that the unemployed dependents of Torgsin's employees could not receive Torgsin's rations. Since, according to the general rule then in effect, dependents had to be supplied by the organization where their family members were employed, Torgsin's refusal to provide for dependents left them with no ration at all. In 1933, employees of Torgsin's store in Zhizdra complained that they "were underfed" and "slowly killing themselves" and asked for a transfer to the general centralized supply established for state enterprises. Similar requests came from other provinces.[33]

Materials from Torgsin's regional branches—Western (Smolensk), Central Asian, and Northwestern—document the high turnover and even staff crisis on the periphery. Due to the staff shortage, Torgsin hired anyone available: the elderly were taught to measure and count; former butchers worked in perfumery.[34] Trying to improve the situation, the Torgsin Board sent specialists from Moscow, but it was almost impossible to make them stay for long. In this regard, the case of the Torgsin Turkmen office's head, Chizhov, who with a group of Muscovites was sent to Central Asia to help local cadres, is revealing. Letters from Central Asia reported the "decadent mood" of the Muscovites and the "desire of all to return to Moscow." But the newly appointed head, Chizhov—who refused to work, quarreled with everyone, menaced his subordinates with "imprisonment in a basement," and even threatened to "kill himself or slaughter someone"—caused a particular outrage. According to the reporters, by such behavior Chizhov tried to make Moscow recall him from Turkmenistan. Allegedly he even asked to be denigrated to the board, to prove his incapability, so that he would be removed from work as soon as possible.[35] Not everyone behaved so disgracefully as Chizhov: some resorted to heavy drinking; others asked for release due to health problems. Archival documents prove that a heavy burden fell on the shoulders of Torgsin's organizers on the periphery—hard work, nervous exhaustion, an exacerbation of medical problems. Due to a housing shortage—Chizhov, for example, had to "cohabit" in a room with another Muscovite—the board's envoys could not bring their families with them.[36]

At the end of 1933, some regional offices of Torgsin began to open short-term courses to train personnel on site, but history did not allow them enough time to solve the staff problem.[37]

Working conditions in Torgsin, especially during its rapid expansion, were hard. Crowds of customers, long queues, and staff shortages led to multiple shifts and overtime work. Employees begged for days off. In addition, Torgsin's everyday life consisted of exhausting staff meetings, political studies, and rush work on numerous reports. A Leningrad store director wrote that his employees worked from morning until late at night: "You often ask them to stay—tears, hysterical tears: 'we can no longer bear it, our families are abandoned, we cannot work like that.'"[38] The lack of space was chronic: employees huddled in tiny rooms under stairs, in closets, in attics, behind cardboard partitions.[39] Here, for example, is a description of Department Store no. 4 in Leningrad. The main accounting staff was located in a cramped room under the stairs, nicknamed the "rabbit hutch." The stuffy room, two meters in height, was designed for a maximum of nine people/desks, while eighteen people crowded in there. If someone needed to get up from his seat, then several had to get up to let him pass. The rest of the accounting staff was located on the ground floor behind a plywood partition in the pass-through room. Here in the space designed for ten to thirteen desks, thirty-two people worked. Right here, behind the plywood partition, there was a common changing room; tea parties went on all day at the windowsill, porters rushed around bringing loads in and taking garbage out, janitors with their tools gathered together. Nearby, behind another plywood partition, there was a space where appraisers worked, customers stood in long lines and quarreled. There was loud talk and constant smoking. In addition, the store employees constantly ran into the accounting office to make calls, because there were only two telephones in the store—in the office of the director, whom employees tried not to disturb, and with the chief accountant.[40]

Archival materials allow us to draw a psychological group portrait of Torgsin's employees. Its dominant feature was a feeling of exclusivity or even elitism. However, it was not based on Torgsin's importance to industrialization. Instead, the elitism arose because of the privileges associated with Torgsin (gold rations, salaries) and proximity to hard-currency valuables and scarce goods. A manager at Torgsin's Leningrad office clearly expressed it: "Torgsin represents a completely new organization, and no one can take the liberty to say that he is a great expert at Torgsin's work. It is not like selling for Soviet rubles or dealing

with workers' supply with regular funds of food and goods. Here in Torgsin we deal with gold, effective currencies, and special money."[41]

The feeling of exclusivity revealed itself in different ways. The board demanded that Torgsin's employees comply with the highest standards for qualifications, dignity, and cultured behavior. But those who worked in Torgsin, from directors to janitors, for the most part did not perceive the exclusivity as responsibility. Instead they expected social veneration. In an economy of chronic shortages, those who worked in trade had a special aura, and those who dealt with hard currency even more so. Affiliation with Torgsin caused arrogance, rudeness, and a scornful attitude toward its customers (already strong in the non-hard-currency trade), and even worse toward those who did not have valuables. The special social status that the affiliation with the hard-currency trade produced became a source of power. No wonder that even the doormen at Torgsin's entrances felt they had the right to push the unwelcome away.

The inner world of torgsins, revealed in archival documents, was full of squabbles, drunkenness, intrigues, adultery, nepotism, conspiracies against one another, and theft. The latter was often discussed by the TsKK and the NK RKI, as well as within Narkomvneshtorg itself.[42] To fight the problem, various commissions inspected Torgsin. In January 1934, it formed its own Special Inspection Unit to combat theft.[43] Each regional office of Torgsin, as well as warehouse or large store, had to have a special inspector to monitor those who dealt with tangibles: sales clerks, cashiers, appraisers, and warehouse keepers to "reveal criminal elements within the staff and their associates outside." Judging by a list of duties, the inspector had to be clever, to have a keen eye and a quick mind, and manage to do the impossible—be present simultaneously in the store, warehouse, accounting office, and administration.[44] Regional offices were in no hurry to acquire such informants on the staff. The board had to threaten them into compliance.[45] However, neither a carrot (gold rations and high wages) nor the stick (repression) could stop theft. Both well-fed administrators and their hungry subordinates stole. The range of crimes in Torgsin ranged from thousands of rubles in embezzlement to the theft of an apple or a piece of sausage.[46] The theft was caused by ordinary human motives—hunger and need, greed and self-interest. Along with the classic methods of theft used in commerce, people invented new ones specific to Torgsin.

Torgsin's highest executives—heroes of the revolution and Civil War, having withstood wartime hunger and hardship, broke down amid peacetime abundance. Among the most notorious was the case of

Torgsin's first chairman, Shkliar, who, in the fall of 1932, was removed from his position "for squandering gold funds." Together with him, the deputy heads of Torgsin's Moscow regional office, Chubaisk and Lebedev, were prosecuted.[47] By the standards of that time, Shkliar just had his hand slapped: from splendid Torgsin he was sent to procure cattle in the Lower Volga region. He was fortunate to be arrested in 1932 rather than later, during the Great Terror. Squandering of resources continued under Stashevskii and Levenson.[48] In early 1935, G. I. Must, the deputy chairman of Torgsin, was removed from his position, expelled from the party, arrested and put on trial for embezzlement of state funds in the amount of fifteen thousand rubles.[49] Similar charges were brought against Torgsin's party committee secretary Kostko, the head of Torgsin's trade union committee Efremov, and other board members.

The high- and middle-rank administration (heads of regional offices, store directors, chief accountants, and merchandise specialists) stole as well. The arsenal of methods was large: fake records, fictitious increase or decrease of stock balances during markdown, the sale of cheap lower-grade merchandise as expensive top-grade items. Such crimes were facilitated by the poorly organized accounting system, caused not only by negligence and carelessness but also by the fact that, in the early 1930s, the stores used aggregated records rather than recorded goods by their grade and variety.

Inspections revealed that "fictitious discard" of goods represented the main method of theft in Torgsin. "Predators," as they were called in the documents, wrote off merchandise as having lost its export quality or been damaged. Fictitious acts certified that goods were discounted or destroyed while in reality they were stolen by scammers. A report noted that, quite remarkably, the number of discarded goods was a multiple of the number of a store's employees—two jars of jam, five kilograms of flour, and so on per person. Inspection reports described "simulation of damage by rats," "questionable damage to oranges," and other suspicious cases.[50] The accounting departments presented shortfalls as miscalculations and natural losses—shrinkage, scattering, erosion, absorption, and the like. In large-scale embezzlement cases, the criminal evidence was sometimes destroyed by "accidental" fire or "robberies," which were especially suspicious when they occurred on the eve of inspections.[51] People stopped at nothing to "cover up the traces of a crime." In Leningrad, for instance, during a stock inventory, a director borrowed goods from other city stores to hide embezzlement.[52] Auditors were bribed. The following is a description of a Torgsin inspection

preserved in its archive: "Inspectors loaded sleds full of all kinds of goods and food. If a workers' cooperative was audited this way, then nothing would be left for consumers. It is like the excise officials [in tsarist times—E.O.] who went to villages and towns to conduct inspections and returned with carts loaded with pork, butter, and all kinds of riches. These Torgsin inspectors have learned well Bukharin's slogan 'Get rich.'"[53]

The case of the director of Torgsin's Store no. 1 (Petrovka Street, 6/7) in Moscow, Palei, who was expelled from the party and put on trial "for complete degradation revealed in self-supply," received a lot of publicity. According to archival documents, within one year of his work in Torgsin, Palei stole goods in the amount of seventy thousand gold rubles.[54] Together with Palei, the manager of Torgsin's Moscow regional office, Kheifets (a communist party member since 1917), and the directors of Torgsin's stores no. 3 (Kuznetskii Most, 14), no. 6 (Arbatskaia Square), and no. 10 (Tverskaia-Iamskaia, 1) lost their jobs and were persecuted.[55] Inspections of regional offices in 1932–1935 revealed numerous cases of large-scale embezzlement by Torgsin's middle-rank administration throughout the country. Several people were sentenced to the "highest measure of social defense"—execution by firing squad—whereas the rest received various terms of imprisonment.[56] However, despite strict measures, embezzlement remained widespread.

From the relatively well-fed administration, let us go down the Torgsin hierarchy to the ordinary employees—sales clerks, cashiers, and appraisers. Archival documents present a full array of classic fraud methods they employed: cheating in weighing and measurement, "miscalculations" of sums, regrading, excessive "cleaning" of "spoiled" products, and the mixing of products such as flour with sugar or adding water to sour cream.[57] There was also fraud specific to Torgsin. Documents mention cases (and how many were not uncovered?) in which a buyer was underpaid by several grams of gold or an appraiser stole a watch lid or "pinched off " a piece of precious metal. Cashiers cut off and appropriated extra coupons from customers' booklets "by mistake." One of the most common machinations in Torgsin was recycling, that is, repeated use by store employees of expired customer booklets or redeemed coupons which, after becoming invalid, had to remain in stores and then be destroyed. For instance, a search of Sapondzhiants, a Torgsin accountant, revealed that he had nine booklets, including expired ones, and redeemed coupons.[58] The stolen, invalid booklets and coupons began their second life: the store stamp "subject for exchange" allowed one to replace the old used booklets with new ones; sales clerks and cashiers

could pretend that used, invalid coupons had just been cut off from the valid booklets and appropriate goods for the corresponding amount or skillfully glue the cut-off coupons to valid booklets, the falsification to be uncovered only later. The stolen used booklets and cut-off coupons could also be sold on the black market.

Several decades later, during Brezhnev's "era of stagnation," one of the main methods of fraud in the famous Berezka hard-currency shops was double-entry bookkeeping or "black cash."[59] Employees bought, with their own money, goods in the regular Soviet ruble stores and then resold them for foreign currency through the Berezka shops.[60] Being sure that this practice appeared long before Brezhnev's time, I looked for descriptions of it in the Torgsin materials and finally found a trace. The employees of a meat department in an Uzbek torgsin bought meat stolen from the local meat-processing plant and then sold it in their store for gold rubles, keeping the profit for themselves.[61]

Petty theft became the main method of self-supply in the USSR. People who stole at work even acquired a specific name—*nesuny* (those who carry things away) which testifies to the mass character of the phenomenon. Torgsin operated during a time of despair and need, when people were hungry and poorly clothed while Torgsin's stores displayed chocolate, wine, sausage, good shoes, and dresses. Store employees who had access to these riches could not help but stealthily eat Torgsin's delicacies at work, cook dinners out of "waste," smoke stolen cigarettes, drink stolen wine, and make tea parties with stolen candies. Lists of fired personnel are full of such cases. Torgsin's employees took home whatever they could, with the help of guards who received their share. Some carried home in their pockets a few candies, an apple, "three small French buns," while others were more ambitious—taking frozen fish, ham and cheese, meters of fabrics smuggled wrapped around a waist. During a personal search of a janitor in one of Leningrad's torgsins inspectors found two stolen oysters.[62] An inspection report gives another example: "On April 8, at 11 a.m., the employee Comrade Egor Nikitovich Korobkov was caught red-handed. In his bag were found: 2.5 kg of lump sugar, 600 g of butter, and 1 unopened pack of cigarettes."[63]

To fight the *nesuny*, the "light cavalry"—the Civil War was over, but its images and mentality remained—conducted unexpected checks of personnel lockers, as well as searching people when they exited stores after work.[64] An interesting scene happened in a Leningrad torgsin. A victim named Tumasov complained to the deputy head of Torgsin's Leningrad city office:

> Yesterday, i.e., 09.21.34, in the evening, as a construction worker, I came to the Torgsin store located on Sovetskii Avenue (Grocery Store no. 6) to check on the progress of repairs. After giving necessary instructions to my workers, I left the store, and having barely walked a few steps was approached by an unknown citizen who stopped me and asked me if I was a store employee. To my question "what is the matter?" the unknown citizen named himself a representative of the "light cavalry" and showed some kind of identification. I replied to him that I am not an employee of this store or any other store, and that I am a foreman of a construction brigade that conducts repair of this store. After that the unknown citizen demanded that I go with him to the gateway around the corner of the building to conduct a personal search. Not understanding what the matter was and not seeing any reason for this detention, and even less so for a search, and assuming that the citizen obviously suspected me of something, I asked him to return with me to the store to answer his questions there. The citizen refused and began to persuade me to go to the gateway with him and allow him to examine my pockets. Then I again asked him, "Do you suspect me of something?" The response was rude: "This does not concern you: either obey my demand (that is, search), or I will take you to the militia."

This story might make a reader suspect that this "representative of the light cavalry" was a scammer who lured Torgsin's frightened customers into a dark gateway to rob them. However, Tumasov's complaint refutes this assumption. A militiaman was called to escort Tumasov to a militia station. The "representative of the light cavalry" insisted on conducting a search on the grounds that Tumasov "had Torgsin money." At the militia station, Tumasov found out that Torgsin's rules allowed the "light cavalry" to conduct searches of employees. However, Tumasov did not agree to the search on the grounds that it would be "an insult to his civic honor." In conclusion, he added that "he couldn't imagine a situation that would make him submit to a check of his pockets in the gateways of Leningrad's buildings."[65] This episode happened in September 1934. About two months later, in the center of Leningrad, Leonid Nikolaev shot First Secretary of the Leningrad Regional Party Committee S. M. Kirov. What seemed impossible to Tumasov would become reality. Thousands of people would have "to turn out their pockets": mass searches, arrests, and executions in Leningrad marked the

beginning of the Great Terror.

The "light cavalry" reported a long list of stolen goods and gastronomic delights confiscated from Torgsin's employees.[66] The *nesuny* justified themselves by saying: "the bag is not mine," "found in the garbage," "took the pike perch, because it could not be sold anyway," or "took at the expense of my rations," "tangerines and nuts are for my sick child," "wife cursed me at home that there was nothing to eat, so I came drunk to work and took a piece of meat," "this is mine, I brought it from home," or "I borrowed it for temporary use."[67] Those who had their own Torgsin money aroused suspicion. Such employees had to account for every purchase in the store where they worked. A store director's permission was required to exchange valuables for money in the torgsin where an employee worked.

In the wake of the "light cavalry" raids, "comradely trials" held in the stores decided the fate of the *nesuny*. The sentences ranged from reprimand, dismissal, deprivation of rations, and expulsion from the trade union to sending cases to the criminal courts. The following protocol from a "comradely trial" illustrates the nature and methods of theft, as well as the procedure and logic for punishment. The trial took place on July 7, 1935, in Moscow's torgsin no. 4 (Pokrovka Street, 55). A few days before the trial, the "light cavalry" found 215 grams of sausage (worth 10 gold kopecks) in the locker of Sokratova, the store's janitor. She pled guilty at the trial and explained the crime by her difficult financial situation: she was single with two kids, seven and ten years old, and had to take care of her elderly mother.[68]

These are the questions that Sokratova had to answer at the trial:

> Comrade Liushin (chairman) to Sokratova: how many times have you committed theft, what was the purpose of leaving sausage in the locker, and why is there a pocket on your shirt?
>
> Sokratova: That was the first time I committed the crime. I left the sausage in the locker because I had been working and there was no time to eat. It is not a pocket but a patch on the shirt.
>
> Comrade Fishkina (witness) tells the court that during the search of Sokratova a pocket of 2 kilo capacity was found neatly stitched on her shirt.

The pocket's size is impressive. There is also a new detail—the pocket was disguised as patch. But who would ever ask such a question: why is there a pocket on a shirt? In the 1930s, however, a pocket could not be

simply a clothing detail; it could be an invention for survival. At that time, having a pocket could also become a crime. Another thought that comes to mind after reading the document: Sokratova was caught, but how many people managed to eat stolen sausage or other food instead of leaving it in their lockers for later? In this store's food department at the time of the trial, there was embezzlement in the amount of two hundred gold rubles, while Sokratova's theft accounted only for ten gold kopecks.

The comradely trial's verdict regarding Sokratova was rather mild and not without curiosity. She was "severely reprimanded" and transferred from the food department to another store section away from delicacies with their dizzying smells. The mild sentence might be explained by the fact that Sokratova had been working in the store for two years, had become a shock worker (she lost this honorary title due to her offense), and had committed no crimes in the past. The coworker-judges also took into account her difficult financial situation. Sokratova's mild punishment was an exception. The acts of the "light cavalry" indicate that in most cases, petty thieves were fired and sent to the criminal courts. The embezzlement criminal show trials could bring death sentences.[69]

Lack of data does not allow for the assessment of the total material loss due to theft in Torgsin, but some suggestions can be made. Narkomtorg's 1933 report indicates that losses from theft, shortfalls, and disposal of spoiled goods throughout the entire commissariat's system amounted to 3.6 million rubles.[70] How many of these millions were the result of theft in Torgsin? The 1932 figures provide some insight. A memo on the results of Torgsin's inspection states (April 1933) that "according to *incomplete* data, in 1932, shortfalls exceeded eight hundred thousand rubles."[71] This figure is suggestive of Torgsin's annual losses because of large-scale and petty theft.

In the official documents, food shortages and famine were not considered among the major causes of mass theft. Authorities rather blamed the "contamination of the trade apparatus by socially alien and criminal elements" and demanded a cleansing. The first mass purge of Torgsin came about in response to a TsKK and NK RKI decree in the spring and summer of 1933. The timing indicates that it was an "echo" of the general party purge declared in the country in December 1932 and continued throughout the following year—Torgsin's leadership kept pace with Stalin's repression. According to Narkomtorg's order, the following groups had to be purged from Torgsin: "political opponents" (Mensheviks, Socialist Revolutionaries, Trotskyites), criminal elements,

"former people," and the "socially alien" (kulaks, administrative deportees, those deprived of political rights, as well as traders, nobles, policemen, and clergy from tsarist times).[72]

Commissions made up of the board's representatives and secretaries of local party cells and trade unions purged torgsins through the summer and autumn. Lists of those fired—with brief characterizations, sometimes resembling denunciations (*donosy*)—are preserved in the archives.[73] But that was just the beginning. In the winter of 1934, Torgsin underwent a "self-purge of the apparatus." In early January 1935, the board, noting a significant number of abuses, reinstituted inspection of Torgsin's cadres, threatening to punish not only "alien elements" but also those who hired them, "for lack of vigilance."[74]

In 1933–1935, in addition to the "politically harmful" and the "socially alien," a significant number of Torgsin's employees were purged for misconduct: deception of customers, shortfalls, acceptance of tips and bribes ("received ten dollars from a servant at the American embassy"), appropriation of items forgotten by customers, drunkenness, absenteeism and tardiness, nepotism, rudeness to customers, failure to report previous convictions, poor work, lack of professionalism ("fired for having no qualifications and for suspicious behavior"), failure to take action against anti-Soviet conversations ("jokes made in the accounting office about Comrade Stalin, criticism of the abolition of the rationing system, metro's startup, and banquets at Comrade Litvinov's"), relatives abroad ("has relatives in the USA"), and for no reason except to "refresh" the staff. Those who conducted purges were guided by People's Commissar of External Trade Rozengol'ts, who advised that in the case of the slightest suspicion it was better to remove a person from the system even if there was no evidence of guilt than to keep him or her without being entirely sure of the worker's honesty and integrity.[75] The Torgsin Board at times interfered and revised decisions of the local commissions, demanding an explanation of why party members were fired or, after denunciations, initiating reappraisals of employees who managed to survive the purge.[76] The main types of punishment were dismissal and prohibition from work in Torgsin, but there were also decisions to refer cases to the party and criminal trials or the OGPU.

The purge commissions' protocols resemble trials—testimonies, evidence, search results—but the defendants had to be their own advocates. The protocols reveal methods of self-defense: people concealed their social origin, claimed that they did not know about the fate of an arrested spouse or other relatives, denounced them by filing for divorce

or moving to another place of residence. One means of social and political rehabilitation could be marriage to a member of the Soviet elite.[77]

Torgsin did not exist long enough to experience the mass repressions of 1937–1938. It was closed a year before the *Ezhovshchina* started. However, mass repression did not bypass the people who once worked at Torgsin or bought goods in its stores. Some names, such as Torgsin's directors Stashevskii and Levenson, are known, but many others are lost in history.

Part III

Torgsin's Swan Song

Chapter 17

The Red Directors of Torgsin

The Socialist Revolutionary

Mikhail Abramovich Levenson was the third and last head of Torgsin. He served from November 1934 to the beginning of 1936.[1]

Levenson was born in 1888 in the Irkutsk region in Siberia in a *vykrest* family—Jews who converted to Christianity. Mikhail's grandfather, Solomon Levenson, was a soldier who, after having served under Alexander II for the required twenty-five years, received land in Siberia and settled there. Solomon's son, Abram, the father of the future Torgsin head, became a first-guild merchant who, before the revolution, made his fortune by selling grain to gold miners in Siberia. He had eight children, four of whom became revolutionaries. Mikhail Levenson did not hide his "petit bourgeois" origin. On his VKP(b) registration card in 1936, in answer to the question about his father's occupation he wrote "wealthy merchant." It may seem like a small detail but is nevertheless an important trait in his portrait: judging by Levenson's biography, this man was never short on determination and adherence to principle.

His father apparently viewed Mikhail as his business successor and sent the boy to the Irkutsk industrial school (*promyshlennoe uchilishche*), but Mikhail had other plans. From an early age he became interested in politics, but this did not bring him right away to the Marxists; instead, in 1905 Levenson joined the Party of Socialist Revolutionaries (SRs).[2] As a professional revolutionary in exile abroad, Levenson took the time to receive an education; he studied advanced mathematics at the Sorbonne

and, with his father's financial support, received a medical degree in France and then Switzerland (due to police persecution he had to move from Paris to Geneva). His choice of the medical profession seems to have been determined by the idea of being useful to ordinary people popular among the successors of the late nineteenth-century Russian *narodniki*. However, Mikhail Levenson worked as a medical doctor for less than two years in his life, during his self-imposed exile to Irkutsk after he broke up with his fellow SRs. To the end, the medical profession remained secondary to him, while revolution and service to the Soviet state made up the main cause of his life.

According to contemporaries, Mikhail Levenson was a rather "dispassionate" person and reserved in his communications with others. But still waters run deep: at the age of seventeen—during the First Russian Revolution of 1905–1907—he broke with his merchant family, organized trade unions in Irkutsk and Omsk, was arrested on charges of plotting the assassination of General Rennenkampf, and took part in an armed escape from an Irkutsk prison. At the age of twenty, he attempted an armed bank robbery (one way that Russian revolutionaries financed their parties) that almost cost him his head. After the bank robbery failed, Mikhail Levenson fled abroad in 1909. He remained in emigration for eight long years. According to his family, while abroad Mikhail, together with his comrades, published a magazine, *In Exile*, for Russian prisoners of war in Austria and Germany—World War I was raging. Otherwise, it seems as if there were no big revolutionary undertakings during those years.

With the victory of the February Revolution, Levenson, with many other political emigrants, returned to Russia. He went, however, not to his native Irkutsk but to Petrograd, the epicenter of events. It seems as if the "rebel" who always lived inside this person became tired of idleness: Mikhail Levenson joined the Left SRs, one of the most radical revolutionary groups of the time. He took an active part in the October armed uprising as a member of the Central Executive Committee and the Petrograd Defense Staff, as well as a member of the Presidium of the Petrograd Soviet (Council) of Workers' and Soldiers' Deputies. It's amazing how people's destinies are intertwined sometimes: under Mikhail Levenson in the Petrograd Soviet worked Viacheslav Molotov, who in the near future would become Stalin's "right hand" in the repression of old revolutionaries in which Levenson would perish.

The stormy revolutionary activity that the Left SR Levenson conducted in Petrograd in alliance with the Bolsheviks quickly and suddenly broke off. In March 1918, Lenin's government signed a separate

peace with Germany. At the expense of huge territorial and financial losses, Soviet Russia escaped the world slaughter. The Treaty of Brest-Litovsk caused a split even among the Bolsheviks; the Left SRs greeted it with hostility. They withdrew from the Soviet government and revolted. Levenson broke with his fellow SRs and, in April 1918, went to his native Irkutsk. There, he started family life as a doctor with his wife and seven-year old son, who prior to that had lived with Levenson's parents. In Irkutsk, Doctor Levenson worked in orphanages. But his attempt to escape politics failed. The Civil War was raging. Admiral Aleksandr Kolchak, who named himself the supreme ruler of Russia, in November 1918 proclaimed his dictatorship in Siberia. In November 1919, Levenson organized a group called the Siberian Left Socialist Revolutionaries in Irkutsk and engaged in a guerrilla struggle against Kolchak. In January 1920—by this time, the Bolsheviks had returned to Irkutsk—as a leader of this group Levenson became a member of the Irkutsk Revolutionary Committee and signed Kolchak's death sentence. The former "supreme ruler of Russia" was executed in February 1920. His body was dumped into the icy waters of a Siberian river.[3] Exactly at this time, Levenson left the SRs and became a Bolshevik.

Thus began his convoluted career in the maze of Soviet power. In the spring of 1920, Levenson was appointed to Moscow. For three years he worked at Rabkrin as a member of the Collegium and as a head of the Labor and Health Inspectorate—the appointment was probably predicated on his medical education and experience as a doctor. In Rabkrin, Levenson's boss was Stalin.[4] Then, for a year, Levenson served on the Board of the Sol'sindikat.[5] From there, in 1924, he went to work in Gostorg RSFSR, where he occupied, until 1928, the position of the board's deputy chair. Levenson remained in Soviet trade, although in changing positions, until the end of his life.

After Gostorg came an appointment to Milan, Italy, first as a deputy and then as head of the Soviet trade mission. In the 1930s, assignments to work abroad could have many causes—intelligence, disgrace, or a personal attempt to drop out of sight under certain circumstances. The Soviet trade mission in Italy was the second largest in size, yielding only to the Soviet trade mission in Germany, and was significant in the international situation of that time. However, there are reasons to believe that Levenson's appointment to Italy was not a career promotion, and that his departure from the USSR was induced.[6] In November 1927, at a Gostorg meeting Mikhail Levenson, being one of the leading members of this organization, opposed the expulsion of Leon Trotsky and Grigorii

Zinov'ev from the Communist Party. Already in January 1928, he had to repent publicly, but the fatal step had already been taken. It seems as if either somebody advised Levenson to "hide" abroad while the situation cooled, or he was demoted from the leading economic position for his political mistake. In either case, in the fall of 1928 he left for Italy, where he remained for almost six years, until November 1934.

His family has preserved some stories from the "Italian period" of Mikhail Levenson's life.[7] They include a visit to La Scala, where Levenson, in the company of the Soviet ambassador, listened to the opera from the top gallery with the cheapest seats. The Soviet embassy's budget could not afford the private opera box where Soviet leaders of that rank were supposed to sit in order not to undermine their prestige. The two men had to dress as simply as possible so as not to stand out in a crowd of commoners. To this Italian period, as well, belongs a story about Levenson's friendship with his personal chauffeur, a socialist and a race-car driver who was hiding from the Fascists. Another story has to do with a gift to one of Mussolini's ministers: in Milan, in the Soviet Pavilion during the World Trade Fair, Levenson presented a Tula samovar to the Italian trade minister.[8] Not knowing how to use it, the minister allegedly scalded the beau monde with boiling water at a reception he organized.

It would have been great to learn more about Levenson's work in Italy, especially those secret operations that he, as the Soviet trade mission's head, certainly conducted there. In April 1933, the Soviet government awarded Levenson the Order of Red Banner "for extremely energetic and innovative work in the field of foreign trade." There must have been good reasons for him receiving an award of this significance.[9] Italy, even under Mussolini, remained a sunny time in the life of Mikhail Levenson, who was to return to gloomy Moscow on the eve of the Great Terror.

If the assumption that Levenson's appointment to Italy was an exile or a personal precaution is true, then the Order of Red Banner meant forgiveness and a return to Moscow. Levenson left Italy to become the chairman of Torgsin. He worked there for over a year until the end of this trade enterprise. During the decline in Torgsin's activity, as its head Levenson vigorously sought new hard-currency sources, including the sales of apartments, dachas, vacations at resorts, and theater tickets, but consumer demand dropped steadily. Torgsin's primary assistant—the famine that once drove people to its stores—was now out of work. Torgsin could not compete with the new stores that opened all around and sold assortments of goods, no worse than those in Torgsin, for regular rubles. Despite all efforts, the overstocking and unprofitability of Torgsin grew.

Besides, it had already accomplished its goal by thoroughly wiping out people's hard-currency savings and family heirlooms. Talk about closing Torgsin began in the government at the end of 1934. Through 1935, its trade decreased—many stores closed, and their stocks of goods were transferred to non-hard-currency commercial networks. The end of Torgsin brought about a new and final career appointment for Mikhail Levenson; in January 1936, he became the deputy of Izrail′ Iakovlevich Veitser, the people's commissar of internal trade of the USSR.[10]

With the beginning of mass repression in the USSR, Levenson's fate—given his social origin, long connection with the SRs, relatively high official position, and especially his former support of Trotsky—was sealed. To make matters worse, he did not try to keep silent about his past associations with the political opposition. Levenson mentioned his speech in support of Trotsky, made thirteen years prior, during an exchange of party documents in June 1936, just two months before the show trial of the so-called Trotskyite-Zinov′ev terrorist center. Sixteen prominent Bolsheviks were shot as a result of this case, fabricated by the NKVD.

Levenson's party registration card ends with a handwritten note: "p/d [party documents—E.O.] of 1936—annulled. Expelled." In the political situation of that time, "expelled" meant "arrested."[11] Mikhail Levenson was shot in the Lefortovo Prison on August 22, 1938. His name, under the number 148, is on one of Stalin's "shooting lists."[12] Apparently, Levenson was charged under the case of the "counterrevolutionary organization of Rights within Narkomtorg,"[13] as a result of which the entire commissariat's leadership, including the people's commissar Veitser, were shot.[14] Mikhail Levenson was posthumously rehabilitated in 1956.[15]

Mikhail Levenson's son, Evgenii, graduated from the Armored Academy in 1935 and went to work at the Stalin Automobile Factory (ZIS, later ZIL) in Moscow. As the son of an "enemy of the people," Evgenii was expelled from the Komsomol in 1938. His former schoolmate, Andrei Sverdlov, a son of one of the founders of the USSR, Iakov Sverdlov, became an NKVD officer and testified against him. However, Evgenii Levenson escaped imprisonment. He worked at the automobile factory and became the head of the Technical Control Bureau. His son—the grandson of Mikhail Levenson, Andrei, by now deceased—wrote a memoir about his family titled *Pamiat′* (Remembrance). It seems never to have been published. Of all the members of the vast family of the Siberian merchant Abram Levenson, only Mikhail's line stayed in Russia. The rest scattered around the world—to Israel, France, and the United States. Until recently, only Andrei's wife, Irina, remained in Russia. Perhaps she still has the

book manuscript. I tried to find her and sent a letter to her supposed home address but have not received a reply.[16]

Chapter 18

Twilight

According to Torgsin's five-year plan, it had to work at least until 1938. But the end came earlier. The government began to reduce Torgsin's network shortly after the famine. In 1934 and 1935, the process was in full swing (table 26). Initially, however, there was no plan for a complete elimination. Torgsin was to continue trading for foreign-currency cash and money transfers from abroad.[1] In other words, the government intended to preserve some legal hard-currency market, although Torgsin had to reorient entirely to the external sources of foreign exchange. This plan failed.

Torgsin stopped accepting precious metals and gemstones from the population on November 15, 1935, the day after the adoption of the SNK decree "On the Liquidation of the All-Union Association 'Torgsin.'"[2] It had to continue to accept foreign cash and currency transfers from abroad until December 15, 1935. The sales of goods to absorb Torgsin money that remained in people's possession went through the summer of 1936 although officially Torgsin closed on February 1, 1936.[3] After Torgsin's liquidation, all monetary operations within the USSR, including services to foreigners, were to be conducted exclusively in regular rubles.[4] Money transfers from abroad went to Gosbank, to be paid to the recipients in rubles. Gosbank had to purchase precious metals from the population; however, the owners were paid in regular rubles, and prices changed.[5] The Soviet official hard-currency exchange rate was adjusted as well. The government had finally admitted that since the fall of the Russian Empire,

the gold ruble—a conventional monetary unit—had significantly inflated.[6] With Torgsin's elimination, the country left behind a short period in which the currency policy had been loosened and returned to a rigid state hard-currency monopoly.

Let us sum up the reasons for Torgsin's closure. The good harvest and sharp decline of Soviet exports of foodstuffs resulted in the normalization of the supply situation in the country in 1934. On January 1, 1935, bread rations were abolished, followed in October by the abolition of rationing of meat, sugar, fats, and potatoes. In place of the restricted access ration distribution centers, thousands of new grocery and department stores opened, available to everyone. After the famine, the peasant markets revived, and market prices dropped. Torgsin could not compete with the new types of trade. It sold in exchange for valuables, while its assortment of goods was no longer exceptional. Customers' interest in Torgsin fell: the flow of valuables to its stores as well as its sales dropped.[7] Torgsin had to reduce its sale prices. The distribution costs, which had always been significant but were justified by the tons of procured valuables, now became a heavy and unjustified burden on the state budget.

The government, as well as customers, no longer had an urgent need for Torgsin. The "import madness," after reaching its peak in 1931, stopped by 1933. From 1933 on, export revenues exceeded expenses for imports (table 4) and went to pay the USSR's foreign debt, accumulated during the first years of industrialization. Moreover, by the mid-1930s the USSR joined the group of the world's gold-mining leaders (table 10). The gold and hard-currency crisis, so acute at the beginning of industrialization, eased. Furthermore, Torgsin had accomplished its task: given the duration and intensity of the mass famine, and the fact that Torgsin's network covered the entire country, it is safe to say that by the mid-1930s the government had appropriated the lion's share of people's valuables.

In addition to the socio-economic reasons for Torgsin's closure, there were also ideological ones. Torgsin represented a large-scale endeavor in which the "proletarian state" acted as a market entrepreneur. Within Torgsin, the Soviet leadership renounced its principles of class approach, rigid state currency monopoly, and a marketless economy. Besides, Torgsin's legal activity was surrounded by hosts of black-market currency deals. Daily in torgsins and nearby, people illegally traded in its goods and money. Torgsin was a thorn in the government's side. After the hard-currency crisis was overcome, the government no longer had reasons to put up with the loosening of its currency policy and ideological sacrifices.

An unloved child of the Soviet government, conceived during the hard-currency panic, Torgsin was doomed. Narkomvneshtorg, however, found it difficult to part with its hard-currency enterprise and hoped to preserve torg-sins as elite hard-currency department stores. Along with endless appeals to learn a cultured trade, Narkomvneshtorg's leaders also sought new sources of hard currency—the strongest argument in favor of Torgsin's preservation.

Even back at the dawn of the Torgsin era, before the mass famine facilitated its work, its leadership had to be inventive to make people part with their family heirlooms. Thus in 1932 the Torgsin Board offered to open hard-currency tailoring and hair salons, pharmacies, dental offices and medical centers, and commission stores in big cities, as well as to sell for hard currency theater and railway tickets, construction materials, vacations, apartments, cars, and spare parts.[8] Some of these ideas were implemented right away.[9]

All means to obtain hard currency were good, even the sale of unwanted citizens. Aleksandr Gorianin writes about Elena Alekseevna Slobodskaia, a priest's widow. Her relatives—who lived in Estonia, which was independent at that time—ransomed her, together with her family, "through Torgsin" by paying the Soviet government five hundred rubles in gold for each travel passport.[10] Archival documents confirm the practice described by Gorianin. A formal initiative to facilitate emigration, if paid in foreign currency, belonged to Narkomfin. In June 1932, its administration wrote to the STO: "In the USSR, there is a rather large group of people, absolutely useless to the country, who would like to join their relatives abroad. Since the latter take care of the cost of relocation, as well as the payment of fees associated with the permission to leave, such emigration could become a rather serious source of foreign currency earnings for us."[11] In October 1932, Sovnarkom, acting unusually quickly for Soviet bureaucracy—the evidence that Narkomfin's initiative was probably an execution of the Politburo's decision—passed a resolution on hard-currency emigration.[12]

For those who agreed to pay in hard currency, the foreign departments of local soviets' executive committees (*ispolkomy mestnykh Sovetov*) issued travel passports without red tape. The price depended on the social status of a potential émigré but in any case was astronomically high. The passport processing fee alone, in 1932, cost a "working person" (*trudovoi element*) five hundred, and the "nonworking" (*netrudovoi element*) one thousand gold rubles paid through Torgsin. By 1933, the price rose, respectively, to 550 and 1,100 gold rubles.[13] For comparison, at the

beginning of the NEP people paid thirty-eight regular rubles for the processing of travel passports.[14] In addition, the émigrés also paid Intourist for "organizing the departure" and Narkomput′ for transportation to departure points. Needless to say, these services were expensive and paid in hard currency as well.

Narkomfin confessed that the emigration price concealed compensation for the loss of currency transfers to the USSR from abroad, which the state could have received if those people did not emigrate. The NKID, which was involved as well, feared that the high prices would scare many people away and the hard-currency effect would then be insignificant. These fears were justified. Very few, even with relatives' support, could pay the "nonworking person's" passport fee. In 1933, Intourist's administration asked the government to cancel this category due to the small number of people who could afford it.

At the time of the decree's preparation, Narkomfin, in agreement with the OGPU, assumed that the annual number of hard-currency emigrants would be from three thousand to five thousand people. How many people in reality did take the chance to escape? "Greased" by foreign currency and freed from Soviet red tape, the issuance of travel passports accelerated and the number of émigrés grew. In 1932, before the currency emigration decree, 478 Soviet citizens applied for emigration, of whom only 259 received permission. The rest of the applications remained pending due to bureaucratic red tape. In 1933, out of 1,249 emigration applications, 804 were approved and 104 denied. However, despite the increase in applications, the emigration rate turned to be lower than Narkomfin and the OGPU expected, and not only because of the prohibitive price. Even for the sake of earning hard currency, the country's leaders did not allow the process to go freely. The 1933 plan for hard-currency emigration allowed Intourist to organize a departure of only one thousand people. The largest sums for hard-currency emigration were expected to come from the United States, Canada, and South America, but the geography of former Soviet citizens' future residence included all of Europe, the Middle East, and South Africa.[15]

The mass famine that started in 1932 slowed down Torgsin's search for new sources of hard currency. Its stores easily fulfilled hard-currency plans by selling bags of flour and groats; apartments or cars were hardly likely to stimulate the flow of valuables better than the threat of death from starvation. When the famine was over and people' hungry agitation around Torgsin ended, the need for new hard-currency sources became urgent again. Torgsin's survival now depended on the quality and

assortment of its goods and services, and the search for innovation became a part of the broader mid-1930s campaign for a cultured Soviet trade.

After the famine, customer demand shifted to manufactured goods.[16] People now longed for perfumes rather than flour. While considering the prospects for 1934, Torgsin's chairman Stashevskii placed a bet on specialized stores of shoes, fashionable clothing, and household items. Dissatisfied with the low quality of domestic production, Stashevskii called on the country's best artisans to make shoes and clothes for Torgsin and to copy imported goods.[17] In Leningrad, Torgsin provided a new service: customers who paid in hard currency could view fashion magazines and ask for copies of designs from them.[18] The "American bazaars" and hard-currency commission stores that sold imported goods represented other innovations.[19] The bazaars were modeled after Western stores that sold cheap goods at fixed prices. However, while using imported goods as bait, the American bazaars palmed off to customers the domestic goods that had long grown stale and dusty, unsold on Torgsin's shelves. Stashevskii admitted: "We view the American bazaar as a permanent vent to clean our stores of nonmoving and slowly moving goods much faster and better than by price decreases and all sorts of clearances."[20] In contrast to Western stores of this kind, which were located on cheap premises, Stashevskii opened the first American bazaar in one of the best Moscow department stores. Inspired by its success, he planned to spread the innovation to the major cities of the USSR.[21]

To stay afloat, Torgsin had to expand its assortment of goods. Its local branches began to sell livestock. Instead of cheap aluminum plates that no longer attracted customers, it offered enameled dinnerware. Stashevskii expected "serious demand" for gramophone records—people wanted to dance. In 1934, domestic industries had to make two million records exclusively for Torgsin. Leonid Utesov's jazz band was especially popular. In 1935, Narkompros urgently had to select for recording and sale through Torgsin a "hundred musical albums of appropriate genres." Torgsin also sold imported records, but this could get one into trouble. The NKVD signaled that tsarist marches were found among the imports. At the end of 1933, Torgsin received the exclusive right to sell the highest brands of wines and cognacs, as well as fresh and dried fruits of export quality. Flour, groats, and bread—the products recently in highest demand —remained in its assortment, but they had to be of the best quality. Torgsin also had to improve sales of foods almost forgotten during the long period of rationing—fresh meat, sausages, pastry, and butter. During

rationing, few would ask about meat's quality, but the new situation required high standards. Torgsin's groceries opened cafes that provided hot breakfasts, appetizers, coffee, and sweets.[22] Torgsin also tried to improve its business by selling the works of Soviet artists and writers. This source of hard currency was not new, but the agreement terms changed to better stimulate authors who sold their works abroad or through the hard-currency commission stores.[23]

In April 1934, the government obliged Torgsin to expand its servicing of the diplomatic missions in Moscow. For this purpose, a special bureau was established. From then on, foreign diplomats had to pay in hard currency for everything (including services that used to be paid for in regular rubles)—food, office supplies, fuel, books, newspapers, medical and hospital services, medicine from an elite pharmacy, telephone service, construction materials, repair work, theater and railway tickets, and rent on their apartments. In September 1934, negotiations ended on the KVZhD, which the USSR had to sell to Manchukuo, and by November, even though the sales agreement was not yet signed, Torgsin's deputy chairman Azovskii dreamed of receiving five million gold rubles in currency from returning Soviet citizens who had worked on the KVZhD.[24]

The acute housing problem in the USSR, inferior probably only to the food shortage, again came to the fore as the famine retreated. The demand for housing was tremendous; millions were in need. At the end of 1934, Torgsin asked the SNK to approve sales of apartments and dachas for foreign currency.[25] Only Soviet people could buy them after becoming members of housing cooperatives. The experiment was to take place only in big cities—mainly Moscow but also Leningrad, Tiflis, Khar′kov, Rostov, Kiev, Minsk, and Vinnitsa. Torgsin's administration expected to sell in 1935–1936 up to two hundred apartments for 350,000–400,000 gold rubles. The expected sale price was thirty-five to forty gold rubles per square meter (with a production cost of five hundred regular rubles), so a two-bedroom apartment would sell for twelve hundred to fourteen hundred, and a three-bedroom unit for seventeen hundred to two thousand gold rubles.[26]

During its twilight, Torgsin sought currency everywhere. The list of its innovations could be expanded to include screenings of foreign sound films to Soviet people, closed-door shows of Soviet export films exclusively for foreigners, book sales, vacation tours to Soviet resorts sold at rates cheaper than those of Intourist, sales of Soviet cars, and more.[27] Despite these efforts, the flow of valuables to Torgsin continued to fall. Torgsin's 1933 triumph—spawned by mass tragedy—could not be repeated

under the new conditions, when customers became demanding and picky. Money transfers from abroad—a response to the desperate pleas of the starving in the USSR—also decreased with the normalization of the food situation. The world turned its attention to the fate of Jews in Nazi Germany. The government resisted the decrease of Torgsin's sale prices, and as a result there was no stimulation of consumer demand. Regional offices reported overstocking.[28] As a result, in 1934–1935 the government had to reduce Torgsin's hard-currency plans as well as its network and staff (table 26). The reduction went faster than planned, and as of January 1, 1935, Torgsin had 702 stores, of which only 493 stores remained by July 1, 1935.[29]

A fierce struggle developed over Torgsin's rich dowry. The former hard-currency torgsins with their goods, staff, buildings, and equipment had to go to Narkomsnab, in charge of domestic trade.[30] Torgsin's staff was to become ordinary trade employees, which, according to its administration, reduced their salaries' purchasing capacity by one-third. Torgsin's former boss, Narkomvneshtorg, resisted the seizure, trying to keep the most qualified cadres.[31] The local Soviet authorities did not nap either and tried to recover the urban premises once bestowed on Torgsin.[32]

Many took advantage of Torgsin's closure and the confusion that accompanied it. In some cases, Torgsin transferred its goods to department stores that were not even open yet. During the transfer, a significant part of Torgsin's goods settled in special stores for the Soviet nomenklatura, conveniently located within the premises with restricted access. The Soviet Control Commission (KSK)—which, on the SNK's instructions, supervised the transfer of Torgsin's property to Narkomsnab—documented numerous abuses. The recalculation of Torgsin's gold ruble prices into regular rubles was also often carried out in a way that benefited the nomenklatura. The machinations around Torgsin became the subject of hearings at the highest level—in the republican central committees of the party and sovnarkoms.[33]

The decision to close Torgsin was made by the Politburo, the USSR's highest political authority, and this predetermined the defeat of Narkomvneshtorg in its struggle to preserve Torgsin. During the first half of 1934, on the STO's orders, Torgsin transferred to the internal trade agencies goods in the amount of 24.7 million gold rubles. From April to October, its stocks decreased from forty-five million rubles to nineteen million rubles. The state lost as a result, as export goods that could be sold for gold and hard currency were sold for regular rubles after the transfer.

In the final accord at the end of 1935, the SNK obliged Torgsin to surrender its remaining property and staff to the recently created Narkomvnutorg.[34]

Rumors of Torgsin's impending closure had been spreading, but apparently people did not believe it would happen. The government decree liquidating Torgsin caught many by surprise. At the time of the decree's publication, over eighty thousand people in the country still possessed Torgsin money worth 3.5 million gold rubles.[35] More than half of these people resided in Moscow and Leningrad.[36] From the end of November 1935 until its closure, Torgsin experienced a trade renaissance: its regional offices reported consumer panic and agitation. Torgsin's administration asked the government to send more supplies.[37] "Dumping" of Torgsin's money on the black market intensified—another indicator of the panic.[38] The government did not want to miss the opportunity and, as noted earlier, in the finale sharply raised sale prices in Torgsin.

From mid-November on, Torgsin no longer accepted tsarist coins, precious metals, and gemstones. The high hard-currency proceeds of its last months were solely the result of the dumping of foreign cash by the population. Indeed, before mid-November 1935, the average monthly inflow of foreign cash to Torgsin was 528,000 gold rubles, whereas after the announcement of Torgsin's closure it increased almost fivefold, amounting to an average of 2.6 million rubles per month (money transfers from abroad not included).[39] In the last two and a half months of Torgsin's work, people brought in foreign cash to the tune of a million gold rubles more (6.5 million rubles) than during the ten months from the beginning of 1935 (5.5 million rubles)![40] After Torgsin's closure, all operations with foreign cash would become illegal for Soviet people, so they hurried to utilize dollars, pounds, marks, and other foreign monies accumulated during the relaxed state currency policy.

During its existence, Torgsin collected foreign cash worth 42.4 million gold rubles (money transfers from abroad not included; see table 27). Given the relatively limited number of foreigners in the USSR, as well as the fact that they had other opportunities besides Torgsin to purchase foods and goods (Insnab, parcels from abroad, trips home), one can argue that the lion's share of foreign cash came to Torgsin from Soviet citizens.[41] The fig ure of more than forty-two million gold rubles in foreign cash collected by Torgsin—or, based on the Soviet official exchange rate, more than twenty million US dollars—can to a certain degree serve as a measure of the scope of the black-market currency exchange in the first half of the 1930s. The foreign cash that people

brought to Torgsin was only slightly less than money transfers from abroad (46.7 million gold rubles, table 27).

The time has come to evaluate the overall results of Torgsin's work. Industrialization and famine designed its history—industrial needs led to Torgsin's birth, while the mass famine explains its turbulent but short-lived heyday. Torgsin fulfilled its duty for industrialization: it accumulated valuables worth more than 287 million gold rubles (based on Torgsin's purchasing prices)—an *equivalent* of more than 220 tons of pure gold (based on Torgsin's gold purchasing price). Expressed in world market prices for gold, this impressive tonnage would have brought almost 190 million US dollars in 1930s purchasing capacity (see table 28 for details).

Torgsin's success was not due to foreigners' cash and money transfers from abroad. Soviet people's heirlooms (jewelry, household items and trifles, tsarist coins, etc.) accounted for almost 70 percent of the total revenue. If we take into account the foreign-currency cash that reached Torgsin from Soviet pockets, the citizens' contribution would exceed 80 percent (table 27). The name "Torgsin"—Trade with Foreigners—therefore is false. The government should have named this enterprise "Torgsovliud"—Trade with Soviet People[42] This reveals one of Torgsin's biggest secrets: it was not only a government project but also, and largely, the creation of people who, by trying to survive famine, unwittingly and sometimes unwillingly helped the cause of industrialization. The "harvest of sorrow"—the treasures that people brought to Torgsin in the starving years 1932 and 1933—amounted to almost 60 percent of all its valuables (expressed in Torgsin's purchasing prices)(table 28). For the Soviet generation of the 1930s, hostages of Stalin's industrial ambitions, the significance of Torgsin was that it gave millions of people a chance to survive.

Chapter 19

The Sorcerer's Stone

The Alchemy of Soviet Industrialization

Torgsin did not sell anything abroad but nonetheless was considered an export organization because—like Exportkhleb, Exportles, Exportneft′, and other Soviet exporters—it turned the country's resources into gold and foreign currency. The terms and conditions under which Torgsin worked contributed to its hard-currency success. It saved on expenses related to export (transportation, insurance, storage, staff), but most important, Torgsin's sale prices were not affected by the world economic crisis and international competition because Torgsin sold at home, where shortages and famine raged and the state had a price monopoly.

Torgsin's classified final report (December 1935) reveals its chief secret: "If the goods sold by Torgsin in the USSR had been exported and sold abroad, then the maximum we could have received based on FOB prices[1] would have been 83.3 million [gold] rubles."[2] Instead, Torgsin sold these goods to Soviet customers for 275 million gold rubles. The report in fact confessed to deceiving buyers, who in exchange for their valuables worth 287.3 million gold rubles (based on Torgsin's purchasing prices, their value expressed in terms of world market prices was higher) received goods worth only 83.3 million gold rubles (based on Soviet export prices). In other words, for each 3.5 rubles of valuables brought to Torgsin, the owners of those valuables received goods worth only 1 ruble. But even if Torgsin had supplied goods worth several rubles for each ruble of valuables, the Soviet state would have benefited anyway, because under

no circumstances could it have used these unconvertable rubles and low-quality goods to buy as large an amount of precious metals, gemstones, and foreign currency abroad. Torgsin became a sorcerer's stone of Soviet industrialization.

The final report also revealed that to receive the amount of valuables procured by Torgsin, the Soviet government would have had to sell abroad *additional* goods worth 17.6 billion rubles (based on Soviet domestic retail prices).[3] Imagine the effects of such an enormous export of foodstuffs on a starving country. The coin, as always, had two sides: Torgsin's methods were predatory, but if the government, instead of opening Torgsin to Soviet people, had tried to gain more hard currency by further increasing food exports under the unfavorable world market conditions, the scope of the famine would have been even greater.

Archival documents allow us to evaluate Torgsin's hard-currency efficiency. For that let us compare Soviet ruble investments in Torgsin with its hard-currency earnings (table 21, line 6). As was to be expected, the mass famine became the time of Torgsin's highest hard-currency profitability: in 1933 the state spent a little over four regular Soviet rubles in exchange for one gold ruble in valuables. As the food situation in the country began to improve and people's dependence on Torgsin declined, its hard-currency efficiency decreased: in 1934, the state invested over six regular rubles for one gold ruble's worth of valuables; in 1935, to receive one gold ruble in valuables cost the state about ten regular Soviet rubles. On average, in 1932–1935, the "extraction" of one gold ruble through Torgsin cost the state about six regular Soviet rubles.

Another analytical comparison may be revealing. The total worth of the valuables (in Torgsin's purchasing prices) bought from the population in 1933, after deducting Torgsin's import costs, was *equivalent* to 86.2 tons of pure gold (based on Torgsin's price of 1.29 ruble per gram of purity). Expressed in world market prices for gold, this conditional tonnage would have brought $57.3 million US (see table 21, lines 4c, 4d for details). Compare this amount with state expenditures on Torgsin: 452.8 million regular rubles in 1933 (table 21, line 3). Thanks to Torgsin, in 1933, the conversion at the rate of about eight regular rubles per US dollar became possible. That was higher than the artificial Soviet official exchange rate, but who in the West would exchange dollars for rubles in bulk at this or an even higher rate?[4]

Torgsin's importance for industrialization is hard to overestimate. The valuables that it procured, on average, covered (calculated in Torgsin's purchasing prices) more than a fifth of Soviet import expenses in 1932–

1935, the decisive years of industrialization (table 22). Torgsin compensated for the low performance of Soviet exports: the valuables that starving people brought to its stores in 1933 equaled almost a third of what the country gained that year from its exports of grain, oil, timber, and other raw materials and provisions (table 22). After the famine, in 1934, Torgsin's valuables covered more than a fourth and, in 1935, about a fifth of the cost of Soviet imports of industrial equipment, raw materials, and technologies. Torgsin's contribution, actually, was even greater than that, because the USSR sold Torgsin's valuables at world market prices, which were higher than what Torgsin paid Soviet people for their heirlooms. According to Torgsin's final report, the valuables that it procured were enough to pay for the imported equipment of ten giant Soviet industrial enterprises: the Gor'kii Automobile Plant (43.2 million rubles), the Stalingrad Tractor Plant (35 million rubles), Stalin's Automobile Factory (27.9 million rubles), Dneprostroi (31 million rubles), Gospodshipnik (22.5 million rubles), the Cheliabinsk Tractor Plant (23 million rubles), the Khar'kov Tractor Plant (15.3 million rubles), Magnitogorsk (44 million rubles), Kuznetsk (25.9 million rubles), and the Urals Mechanical Plant (15 million rubles).[5]

Torgsin was the only Soviet export organization from which the government expected to receive hard-currency returns substantially higher than its investments.[6] In 1932, in its hard-currency earnings, Torgsin fell behind only the major Soviet exporters of grain, oil, and timber (table 23). In 1933, due to the mass famine, Torgsin jumped to first place, thus outperforming these major hard-currency providers for Soviet industrialization. Torgsin's final report stated that in 1934 and 1935 it maintained a stable second place among Soviet exporters—yielding only to oil exports.[7]

In 1933, Torgsin was ahead of the Soviet export organizations not only in the volumes of hard currency earned but also in its hard-currency profitability (*valiutnaia rentabel'nost'*).[8] While Soviet grain exports were unprofitable, flour and bread had the highest profitability among Torgsin's goods: in the first half of 1933, Torgsin sold bread products (*khlebo-furazhnye tovary*) for 39.2 million gold rubles, which exceeded their export price (7.6 million gold rubles) by more than five times! During the same period, other foodstuffs were sold in Torgsin, on average, at prices 4.6 times higher (12 million gold rubles) than their export price (2.6 million gold rubles). In the second half of 1933, as the famine weakened and domestic food prices dropped, the gap between Torgsin's sale prices and Soviet export prices narrowed, but it remained substantial.[9] On the

whole, in 1933, Torgsin sold bread products for 62.6 million gold rubles while the export price of those products was only 14.2 million; for other food products, the figures were (respectively) 20.6 and 6 million gold rubles. Torgsin's economists claimed that in 1933, Torgsin's sales of goods to the domestic population brought in seventy-eight million gold rubles more than what the Soviet exporters would have received had they sold these goods abroad.[10] The normalization of the food situation in the country in 1934–1935 led to a decrease in Torgsin's sale prices and the profitability of its food sales.[11]

Torgsin's economists also asserted that, in 1933, every regular Soviet ruble invested in Torgsin brought a much greater hard-currency return than investments in any Soviet export organization.[12] Specifically, according to Narkomvneshtorg, in 1933, its export organizations, on average, provided a return of fifteen gold kopecks on every invested regular ruble (thirteen kopecks if oil exports were excluded).[13] Torgsin's return during the first three quarters of 1933 was thirty-four gold kopecks —more than twice as high as the Narkomvneshtorg export average. According to my estimates (table 21, line 7), in 1933, on average, Torgsin returned twenty-five gold kopecks, in 1934 sixteen gold kopecks, and in nine months of 1935 ten gold kopecks for every invested regular Soviet ruble. According to Torgsin's final report, in 1932–1935 the average return was 17.6 gold kopecks for every regular ruble invested.[14] Torgsin's relatively high hard-currency efficiency served as a justification for its huge ruble expenses and, in 1933, allowed its leadership to demand from the government an approval of Torgsin's distribution costs[15] of up to 420 percent of its earnings while the planned rate was only 70 percent.[16]

Torgsin's hard-currency profitability, as discussed so far, was defined either by how much the prices of goods in its stores exceeded their export prices or how many valuables—gold, silver, gemstones, and foreign currency—Torgsin collected for every regular Soviet ruble invested in it by the state. However, Torgsin was not only an organization that procured hard currency but also a trade enterprise that sold goods to the population. In this capacity, Torgsin was unprofitable. Statistics indicate that Torgsin's expenses (table 21, line 3) substantially exceeded its ruble revenues from the sale of goods (table 21, line 5b).

The gold, silver, platinum, gemstones, and foreign currency procured by Torgsin would have been more than enough to cover its expenses. However, Torgsin worked not for itself but in the interests of industrialization. It pumped valuables out of the population but could not keep them as its own profits. All valuables went to Gosbank—to the state.

Gosbank compensated Torgsin only with the ruble value of the procured valuables. Torgsin used this money to purchase goods from domestic producers. The proceeds from Torgsin's sales of goods to the population went to cover its distribution costs. The inability to use hard-currency valuables to cover its expenses became the main reason for Torgsin's unprofitability as a trade organization.

The unprofitability of Torgsin's sales was also a result of its inflated apparatus. As Torgsin expanded its network into remote territories, its distribution costs skyrocketed. In the first quarter of 1933, Torgsin had 684 stores, and by the autumn 1,400. A significant number of them were small shops scattered across a vast country, at times thousands of kilometers away from city centers and railways.[17] These small shops did not sell much, while the delivery of goods to those distant areas by predominantly horse-drawn transport was costly.[18] In 1933, overhead expenses (*nakladnye raskhody*) in Turkmenistan, for example, reached 57 percent, and in Western Siberia 74 percent, of the sales revenues.[19] Add to this the cost of maintaining hundreds of small shops, storage facilities, employees' salaries, and so on. As the supply situation in the country improved and the state hard-currency crisis eased, Torgsin's astronomical distribution costs made the government, in 1934, reduce its network, a process that continued until Torgsin's complete liquidation.

Another factor contributing to the unprofitability of Torgsin's sales was a limited circle of customers and its restricted monetary system. If people did not need valuables to buy in Torgsin, the number of its customers would have grown to include the entire population. Besides, the amount of money that Torgsin could earn by selling goods was limited by its payments for the purchased valuables. Beyond that, the only way to increase the amount of Torgsin money in circulation was forgery, but the OGPU/NKVD prosecuted counterfeiters. Also important, Torgsin underpaid its customers for their gold, silver, diamonds, and platinum in comparison with these valuables' world prices and the realistic currency exchange rate, thereby reducing the already limited amount of Torgsin money in circulation. Due to the limited circle of buyers and monetary restrictions, goods in Torgsin moved more slowly than in unrestricted types of trade, which increased its distribution costs.[20]

The reduction of sale prices—inevitable as the food situation normalized—in addition to growth in the volume of commodities, a vast trade network, and the high production cost of goods made Torgsin's sales even more unprofitable. During the winter of 1933, when sale prices were at their apogee, a salesman in Torgsin sold goods worth, on average,

2,014 rubles, while during the fourth quarter of the year, after a sharp decline in prices, the figure dropped to 1,008 rubles.[21]

The unprofitability of Torgsin's sales imposed a heavy burden on the state budget. Narkomfin covered the losses. When Torgsin lacked the means, Narkomfin even paid in full for goods received from domestic producers.[22] In such cases, Torgsin had to use its ruble revenues only to cover its distribution costs. This financial patronage did not stimulate a cost-reduction policy in Torgsin but instead led to overstocking and further increased the unprofitability of its sales. As a result, Torgsin turned into a "black hole" in which millions of rubles of subsidies disappeared. With the normalization of the country's food situation and reduction of Torgsin's sale prices, the gap between Torgsin's falling sale revenues and the production cost of goods grew. To cover the gaps, Narkomfin had to take more and more money from the state budget.

Narkomfin asserted that at times Torgsin's sale revenues were not sufficient even to cover its distribution costs, so subsidies were needed to replenish its funds.[23] Since the subsidies were in regular rubles, the state did not have to use hard currency to cover Torgsin's losses, but the hole in the state's ruble budget expanded. Narkomfin and Vneshtorgbank, in 1933 and 1934, sought to make financing of Torgsin dependent on its sale results to stimulate cost reductions,[24] but Torgsin's administration successfully fended off the attacks with Narkomvneshtorg's support. The country's leadership, apparently, did not agree with Narkomfin,[25] possibly fearing that the change might affect the flow of hard-currency valuables.[26] And why change? Torgsin, after all, was an emergency short-term measure.

Up to this point, my analysis of Torgsin's work in this chapter has been based on separating its activity as a hard-currency-earning "export" enterprise from its activity as an enterprise of domestic trade. The analysis has revealed a paradox between the relatively high hard-currency profitability of Torgsin (in comparison with major Soviet exporters of that time) and the unprofitability of its sales. The time has come to merge these two types of Torgsin's activities to assess the overall effectiveness of its work. For that purpose, gold may serve as a better measure than foreign currency or ephemeral gold rubles.

In order to assess Torgsin's *overall* effectiveness rather than specifically the efficiency of its gold purchases,[27] the following calculations are based not on the actual gold tonnage procured by Torgsin but on the *conditional* (calculated under certain assumptions) gold tonnage that shows how much gold Torgsin's hard-currency revenues

could buy based on its gold price of 1.29 rubles per gram of purity. For that purpose, the worth of all types of valuables collected by Torgsin (in its purchasing prices) is divided by Torgsin's gold purchasing price. To indicate that the calculations present the conditional gold tonnage rather than the actual amount of gold purchased by Torgsin the phrase "gold provided by Torgsin's valuables" is used in contrast to "gold procured by Torgsin."

How much did a conditional gram of pure gold provided by Torgsin's valuables cost the state? To answer this question, let us deduct from the ruble expenses of Torgsin (table 21, line 3) its revenues from sales of goods (table 21, line 5b), which went to cover its distribution costs. Let us then correlate the remaining amount of Torgsin's expenses to the valuables it purchased, expressed in conditional tonnage of pure gold (table 21, line 4c). These calculations show that each regular Soviet ruble invested in Torgsin provided (conditionally) about 0.2 grams of pure gold in 1932, 0.8 grams in 1933, 0.4 grams in 1934, and 1 gram during the first three quarters of 1935. On average, for the whole period examined each Soviet ruble provided (conditionally) about 0.5 grams of pure gold (table 21, line 4c divided by the residual of lines 3–5b).

The years 1933 and 1935 had the highest profitability in Torgsin's history (table 21, line 8). A conditional gram of pure gold provided by Torgsin's valuables cost the state 1.25 rubles in 1933 and 1 ruble in 1935. This was cheaper than the Soviet official ruble equivalent of the world price of gold.[28] In 1933, Torgsin's high profitability was a result of the mass famine, which made people bring tons of valuables to Torgsin, while in 1935 the high profitability came as a result of the sharp reduction of Torgsin's trade network and, consequently, sharp decrease in its distribution costs combined with increased sale prices and consumers' agitation during the last months before Torgsin's liquidation.

It seems surprising that 1932—the beginning of the mass famine—was the most unprofitable in Torgsin's history. It took almost 4.5 regular rubles in investments to provide a conditional gram of pure gold that year. The reason may be that Torgsin had only begun to develop its network in the provinces. It was as yet little known on the periphery. As a result, it did not procure a great amount of valuables that year, while its distribution costs from the opening of hundreds of new stores were significant. In 1934, the cost of gold was also high—2.58 regular rubles—the result of declining customer interest in Torgsin because of the normalization of the supply situation in the country. Torgsin's administration was too slow to adapt to the new conditions: the flow of

valuables to its stores, in comparison with the previous year, decreased almost by half, while distribution costs remained close to the same high level. In total, in 1932–1935, a conditional gram of pure gold provided by Torgsin's valuables cost the state, on average, 2.13 regular rubles (table 21, line 8).[29]

Was Torgsin's gold cheap or expensive?[30] To answer this question, let us compare its cost with the cost of industrially mined gold. According to the first five-year plan, 1 gram of pure gold produced by the Soviet gold industry was expected to cost 1.76 rubles in 1928/29 and to drop to 1.42 rubles by 1932/33. For artisan prospectors, the planned cost was, respectively, 1.98 rubles and 2.05 rubles.[31] In reality, the cost of gold proved to be much higher than planned. According to A. I. Shirokov, the average cost of Dal'stroi's gold in 1932–1937 was 4.75 rubles per gram of purity.[32] At the same time, as shown earlier, a conditional gram of gold procured by Torgsin's valuables cost the state (at the 1932–1935 average) 2.13 rubles per gram of purity (table 21, line 8). In short, Torgsin outperformed the Gulag.

Another important question is how the cost of Torgsin's gold and the cost of industrially mined gold correlate to the world gold price at the time. A. N. Piliasov believes that Dal'stroi's gold production (in contrast to extraction of other nonferrous metals) was economically effective: that is, the production cost of gold in Dal'stroi before 1940 was below the world market price. Shirokov repeats this conclusion in his book on Dal'stroi.[33] Piliasov based his calculations on the rate of 5.30 rubles per US dollar that, according to him, existed in the USSR from July 19, 1937, to February 28, 1950. The head of Torgsin, Levenson, used an exchange rate of 5.75 rubles per US dollar in his calculations in November 1935.[34] Based on these rates of the second half of the 1930s, the cost of Dal'stroi's gold (4.57 rubles per gram of purity) equaled 80–86 cents US (table 24, line 3a), while the price, which was established at the beginning of 1934 by the US Gold Reserve Act, was $1.125 per gram of purity.[35] According to the Soviet official exchange rate of the second half of the 1930s, the cost of the gold provided by Torgsin's valuables (2.13 rubles) *would have been* only 37–40 cents—that is, about one-third of the world price and less than half the cost of Dal'stroi's gold.

However, Torgsin stopped accepting valuables at the end of 1935. Its major activity took place in the first half of the 1930s, when the world price for gold was 66.5 cents per gram of purity and the Soviet exchange rate was 1.94 rubles per US dollar (table 24). Dal'stroi also started its activity during the first half of the 1930s, before the changes to the world

price for gold and the Soviet exchange rate. This is why Piliasov's argument, supported by Shirokov, about Dal'stroi's gold production efficiency is hard to accept. According to the conditions of the first half of the 1930s, the cost of Dal'stroi's gold (4.57 rubles) would equal $2.36 US—3.5 times higher than the world price—while the cost of gold provided by Torgsin's valuables (2.13 rubles) would equal $1.1 US, which is still higher than the world price but substantially cheaper than Dal'stroi's gold (table 24).

Another factor to be taken into account is that these calculations are based on an artificial Soviet official exchange rate that was established by the government for internal use and had nothing to do with the real purchasing capacity of the ruble. Foreigners who lived in the USSR during the first half of the 1930s testified that the real ratio was from ten to twenty-five rubles per dollar. Using these figures, the production cost of Dal'stroi's gold in 1932–1937 ranged from 18 to 46 cents US per gram of purity, while the cost of gold provided by Torgsin's valuables was between 8.5 and 21 cents. Based on this more realistic ruble-dollar ratio of the time, Torgsin's gold was still much cheaper than Dal'stroi's, but both Dal 'stroi's and Torgsin's gold may have cost the state less than the world price for gold.

The state's acute need for precious metals, combined with the relatively low cost of Torgsin's gold and the weakness of the nascent Soviet gold mining industry, explain why the government put up—for a while—with the holes in the budget, worth millions of rubles, caused by the unprofitability of Torgsin's sales of goods. As soon as the Soviet gold mining industry became strong, the Gulag's Dal'stroi expanded, the gold and hard-currency crisis in the USSR was over, and people's savings had been exhausted, the government closed Torgsin.

Instead of a Conclusion

The Paradoxes of Torgsin

Torgsin was full of paradoxes. Its entrepreneurial—capitalist, from a Marxist political economy point of view—methods served the victory of socialism. For the sake of gold, Torgsin sacrificed one of the fundamental Marxist principles—the class approach. Indeed, it was not the proletariat that benefited from Torgsin but the socially alien—those who had wealth. Not only were Torgsin's capitalist methods and socialist goals in ideological contradiction, but paradoxes also existed in perceptions of Torgsin among the country's leadership and ordinary contemporaries.

Government documents of the time strongly emphasized Torgsin's economic as well as political importance. Its success was the key to industrialization and, therefore, to the final victory of the revolution. Every gold ruble earned by Torgsin strengthened the USSR, while every one lost slowed the building of socialism. In the opinion of the country's leadership, the hostile international environment and Western embargo on Soviet goods added to Torgsin's mission—to obtain the USSR's hard currency and gold independence. Torgsin made a sizable contribution to the construction of Soviet industrial giants like Uralmash, Kuzbass, and Magnitka—the country's pride. It would seem that in the service of the proletarian state, Torgsin deserved honorable recognition, and that its name in the official discourse should sound heroic. This, however, was not the case.

In the Soviet official political language of the 1930s, the name "Torgsin" became synonymous not with heroism but rather with philistinism, petitbourgeoisness, soppiness, acquisitiveness, and greed. Torgsin was viewed as the antithesis of revolution. In 1934, at the First

All-Union Congress of Soviet Writers, while excoriating Nikolai Bukharin's report on poetry, the proletarian poet Dem'ian Bednyi said: "Bukharin has a penchant for sweet biscuits. Bukharin prefers a certain poetic torgsin for dessert lovers. I prefer to stay in the ranks of healthy basic mass consumption [*tovary shirpotreba*]."[1] What a great metaphor! Torgsin's sugary biscuits as a symbol of mawkish philistinism, while unsophisticated basic goods are a banner of the proletariat! Indicative in this regard is a phrase from a 1930s feuilleton that ridiculed the insincere repentance of Torgsin's employees when caught stealing—"with tears in their eyes and a piece of Torgsin's cheese in their hands."[2] This is the moment when the truth is revealed: those who ate Torgsin's cheese could not be sincere. A piece of Torgsin's cheese marked a class enemy. Torgsin turned out to be hostile to the proletarian cause. It is not surprising, therefore, that the government hurried to close Torgsin.

Two images coexisted in the political consciousness of that time: the revolutionary, ascetic, selfless people who created Torgsin and made it work for socialism, and Torgsin's petty bourgeois clients greedy for delicacies and fancy couture. The juxtaposition of "proletarian" and "petit bourgeois" fills the official documents. The word *publika* (the public) used in Torgsin's documents instead of *pokupateli* (consumers) was borrowed from prerevolutionary practice and equated Torgsin's buyers with the hated past. The Torgsin leadership's calls to take a closer look at the buyers (and stop "tiptoeing around them") make one ask exactly which consumer the government considered paramount—Torgsin's buyers or the proletarian state, "consuming" the philistine savings of its citizens. The question of whose interests were more important—the buyer's or the state's—were transformed in Torgsin into debates about what was more important—the appraisal points that procured valuables for the state or the stores that satisfied customers' needs. Who served whom: did Torgsin work for its customers, or the customers for Torgsin?[3]

The juxtaposition of the petit-bourgeois buyer to Torgsin's revolutionary mission justified the harsh methods the state used to capitalize on Torgsin, reflected in its slogans: "Do not leave for tomorrow what you can take today," "Work in such a manner that no one leaves without giving away his valuables," "Give the country the maximum of hard-currency valuables at the lowest cost of acquisition." The nonrevolutionary image of Torgsin's buyers ideologically justified the fraudulent "goods for valuables" exchange and Torgsin's monopolistic, inflated sale prices, which exploited the mass famine: "Prices are very important—this is a key question. Our task is with the minimum of goods

to extract the maximum of valuables, since in most cases we are dealing not with a proletarian element but with people who accumulated savings in the [tsarist—E.O.] past."[4]

This passage from Torgsin's materials reveals another paradox: although access to its stores did not discriminate among people by their social origin, Torgsin nevertheless had a pronounced class nature: *all* its customers, together with their petit-bourgeois valuables, belonged to the old capitalist era according to the political vision of the country's leadership. Therefore, there was no need for social differentiation. Therefore, there was no reason to feel sorry for these people!

The juxtaposition of the old, bygone world and the new era to come can be also seen in the official explanation of Torgsin's failures. Everything bad that happened in Torgsin was attributed to the machinations of the "socially alien" who infiltrated its system. The methods and goals of "capitalist" trade—that is, making a profit by deceiving customers—were contrasted with "socialist cultured trade," aimed at meeting the population's needs. A Torgsin Board leaflet titled "To Trade in a Cultured Way" read: "Vladimir Il'ich's [Lenin's—E.O.] slogan—'Learn to Trade!'—is memorable. Many years have passed since its publication, and not a few of our young specialists have already learned how to trade well. However, the old 'methods' that infiltrated the commerce of old Russia, at the core of which was the principle 'to sell, you must deceive'—these methods, unfortunately, were brought to our Soviet trade by the old 'specialists,' who did not understand the character and nature of Soviet trade."[5]

One cannot deny it—history is full of irony. Torgsin's leadership sought "socialist cultured trade," but that was exactly what finished Torgsin off. As soon as the improvement of the country's supply situation caused Torgsin—a chain of unsightly but hard-currency-profitable shops that sold, at inflated prices, basic foods to starving citizens—to transform into a chain of elite hard-currency model department stores that did not promise big profits, the government closed it. This provides the answer to the question posed earlier: who served whom? Ultimately, from the standpoint of the country's leaders who created Torgsin, people with their "petit-bourgeois" valuables existed to serve Torgsin, to serve industrialization, to serve the state. In this sense, the accusation made by contemporaries that Torgsin "missed its chance" by failing to turn into an enterprise of "socialist cultured trade" is unfounded. The mission entrusted to Torgsin by the fathers-founders was different. It had to accumulate, without disdain for deception and fraud, hard currency by

exploiting famine and people's despair, and Torgsin fulfilled this task. The proclaimed ideal of cultured trade did not play a decisive role in its history.[6] According to perceptions of capitalism at the time, Torgsin was a capitalist enterprise—a hard-currency monopolist that exploited the hungry consumer demand to receive profit and invest it in industrial development. Paradoxically, this capitalist approach was justified by a revolutionary mission—the building of socialism in the USSR.

The dictatorship of the revolutionary ideals over petit-bourgeoisness, which served as the ideological justification for Torgsin's predatory methods, as well as its very existence, is also visible in the official interpretation of the nature and functions of gold. Reading Torgsin's materials leaves no doubt that both its executives and the country's leadership recognized the importance of gold. However, this recognition concerned only the needs of the state, specifically industrialization; Soviet people had no need for gold, since their social status was determined not by material wealth but by their contribution to socialist construction. The following excerpt expresses this attitude well: "Household gold and silver are the petit-bourgeois whims of the past, with the help of which people reached a certain social position under the old regime. Soviet citizens have no need of them. These gold and silver objects must be exchanged in no time for the best goods in the Torgsin department stores."[7] Regardless of whether the country's leadership sincerely believed that gold retained its value only in relations with the capitalist world or spoke against its convictions, using propaganda for a pragmatic purpose, this denial of gold's social importance under socialism once again shows that ideological perceptions of Torgsin were based on the juxtaposition of the past (capitalist) and the future (communist) worlds.

To a certain extent, one can agree that the social status of people under Soviet socialism, as well as their material wealth, depended on the state's recognition of their merit. However, Torgsin proved that the significance of gold and other hard-currency valuables was not limited by their importance for the state's implementation of its industrial plans. In the years of Torgsin, much more than somebody's social status depended on gold—valuables saved lives. In this regard, it is interesting to see how ordinary contemporaries perceived Torgsin. Materials posted on the Internet show that public perceptions of Torgsin differed from those of the country's leadership.

A search using the key word "torgsin" brought an avalanche of information—almost nine thousand links! People's memoirs accounted

for a significant share of these. Authors, renowned and little known, of different nationalities mentioned Torgsin as part of their everyday life during the lean years of the first five-year plans. Social memories of Torgsin preserved a certain reverence, as well as a sense of something unsolved, not entirely comprehended, and even mysterious. The abbreviation "Torgsin"—Trade with Foreigners (TORGovlia S INostrantsami)—puzzled people, since it contradicted the reality that Torgsin's customers were primarily Soviet citizens. Attempts to solve this contradiction may explain the erroneous decoding of the abbreviation "Torgsin" by contemporaries as "Trade Syndicate" (TORGovyi SINdikat), which modern researchers have hastily adopted. Indeed, such a reinterpretation would have made more sense. Besides, stylistically "Trade Syndicate" likens Torgsin to the trade enterprises of the 1920s NEP. By its entrepreneurial market nature, Torgsin, in fact, was closer to the mixed economy of the NEP than to Stalin's economy of the 1930s.

For some of its contemporaries, Torgsin remained an unsolved mystery. Interviews conducted with those who survived the 1932–1933 famine in Ukraine indicate that people viewed Torgsin as a type of Western humanitarian aid, equating it to the US assistance given to Soviet Russia during the 1921 famine. The interviewees blamed the West for the fact that, unlike in 1921, help was not free in the case of Torgsin. Boris Khandros, for example, said: "In short, it turned out that America . . . somehow participated in this shameful matter. Because the products that were in Torgsin were American goods—American flour, American canned stew.[8] And so, all of these were traded instead of helping starving people free of charge. Of course, it was ugly on both sides [Soviet and American—E.O.]. In this way, the Soviet government earned money for industrialization." Another interviewed witness, Lev Bondar′, said that his father took the gold crowns from his mother's teeth to Mogilev, where there was "an American store, Torgsin." Masya Botshtein, recalling the Ukrainian famine, pointed out that her family, thanks to Torgsin, did not starve. When asked what Torgsin was, she replied that "it was also from America." Riva Brylkin believed that "help came from France and America"; her family owned a bit of silver that was traded in Torgsin.[9]

Almost all the mentions of Torgsin found on the Internet in memoirs, diaries, letters, stories and autobiographies refer to the period of mass famine. In these accounts, people view Torgsin as a sign of national trauma, of family and personal tragedy. Hardly any of the Internet accounts of Torgsin refer to the relatively prosperous years of 1934–1935. This fact attests to popular recognition of the main social mission that

Torgsin fulfilled by saving people from starvation. Galina Shcherbakova writes: "I was born at the time of the great Ukrainian famine. To save the child, the grandmother traded her wedding rings for semolina in Torgsin in the city of Bakhmut. 'This is why you are alive.'"[10] For its starving contemporaries Torgsin represented an unattainable world of abundance. Is that not why, according to Astaf'ev, his fellow villagers pronounced Torgsin's name "with respect and even some awe"? The following excerpt conveys the feelings of a child standing in front of Torgsin's window display: "The winter of 1932–1933 in Rostov-on-Don. More and more often, I hear the word 'famine.' Other new words appear—*rabkop* [workers' cooperative—E.O.], ration cards, coupons, torgsin. Mom takes her ring and a pair of silver spoons—our family's treasures—there. Torgsin is a fairy tale for me. I am standing in front of its window displays filled with sausages, salami, black caviar, candy, chocolate, pastries. I do not ask: I understand perfectly well that Mother cannot buy this. The most she could buy for me was some rice and a pat of butter."[11]

Marochko, in his article about the Ukrainian Torgsin, writes that starving people invented their own expansion of the abbreviation "Torgsin"—"Comrades, Russia is falling. Stalin slaughters people" (*TO*varishchi, *R*ossiia *G*ibnet. *S*talin *I*strebliaet *N*arod—E.O.)[12] However, the memoirs, as well as archival documents of that time, suggest that such an interpretation is more likely to be a phrase from an émigré leaflet written by those who observed the Soviet famine from the outside, while in the perception of those who experienced famine within the USSR, the dominant feelings were not political agitation but pain, grief, hope, and reverence for the organization with the strange name "Torgsin."

The sense of Torgsin's unreality and alien nature was intensified by the fact that it traded not for paper rubles and copper kopecks, as did the ration distributors or state commercial stores or peasant markets, but for treasures. This peculiarity created an aura of exclusivity not only around Torgsin's stores but also around the people who worked there, and those who had means to buy whatever they wished there. The social awe, however, was thickly mixed with feelings of injustice, envy, and anger by those who had limited or no access to Torgsin. For that matter, let us recall a scene from Bulgakov's *Master and Margarita*, which involved the client "in the lilac coat and orange kid gloves," supposedly a foreigner, in a Moscow torgsin on Smolensk Square. In response to Koroviev's populist agitation about the negligence of the interests of ordinary Soviet citizens and servility to the foreigners "all swollen with salmon, all stuffed with currency," "a most decent, quiet little old man, poorly but neatly dressed,

a little old man buying three macaroons in the confectionery department, was suddenly transformed. His eyes flashed with bellicose fire, he turned purple, hurled the little bag of macaroons on the floor, and shouted 'True!' in a child's high voice. Then he snatched up a tray, throwing from it the remains of the chocolate Eiffel Tower demolished by Behemoth, brandished it, tore the foreigner's hat off with his left hand, and with his right swung and struck the foreigner flat on his bald head with the tray."[13]

My exploration of the Internet revealed one more and, for this book, the last of Torgsin's paradoxes: its stores closed in 1936, but Torgsin outlived its time, and not just in the memory of those who used to shop there. With the beginning of the capitalist era in Russia in the 1990s and early 2000s, under the sign "Torgsin" limited liability companies, online stores, and commercial firms in Moscow, Kaliningrad, Novosibirsk, Ekaterinburg, Obninsk, Kiev, St. Petersburg, Murmansk, Rostov-on-Don, Orenburg, Nakhodka Bay, Kommunarka, and other cities and towns of the former Soviet Union sold furniture, cell phones, medicines, foodstuffs, timber, and wall paneling. Pharmacies and shops named "Torgsin" appeared abroad. They provided goods and services to Russian-speaking emigrants. There were a book publisher and even a soccer team named "Torgsin."[14] For some time, a grocery store located in the building on Smolensk Square in Moscow where the famous torgsin, immortalized by Bulgakov in *Master and Margarita*, used to work, restored the old sign. With the advent of capitalism in Russia, the brand "Torgsin," sometimes accompanied by a figure of Mercury—the god of commerce and profits—was in demand. However, unlike the leaders of Stalin's day, who utilized Torgsin but never accepted it because of ideological reasons, the contemporary brand "Torgsin" is attractive to both consumers and entrepreneurs. This brand exploits the elite image of the 1930s Torgsin, its exclusivity. The message it projects is clear: "If you want to buy quality goods, you do not need to pay in gold and hard currency; just come to our store and get it all for rubles."[15]

A poet said that "the past is gone—and there is nothing to be sad about."[16] But being a historian, I regret that it is not possible "even for a quarter of an hour" to stop by the Torgsin of my parents' childhood, now forever gone.

Tables

Table 1. **Gosbank's gold operations, 1921–1928**

Year	Gold bought (tons; coins excluded)*		Tsarist gold coins (in millions of rubles at nominal value)	
	From population	Mined gold	Bought from population	Sold to population
1921–10/1/23	5.9	1.4	3.6	11.4
1923/24**	3.4***	1.7	8.4	5.6
1924/25**	0.97	8.4	11.4	10.5
1925/26**	0.4	9.9	2.0	32.1
1926/27**	0.4	4.1	1.7	0.02
10/1/27–3/1/28	0.3	1.1	0.4	—
Total	11.37	26.6	27.5	59.62

* Gold bought from the population includes jewelry, household items, and scrap. Mined gold represents Gosbank's purchases from the state gold mining enterprises, private miners, and organizations

** Fiscal years. Up until 1931, statistics were presented by fiscal years that began on October 1. At the end of the 1929/30 fiscal year, a special quarter was added (October–December 1930), and starting with 1931 the statistical records began to be based on calendar years starting on January 1.

*** Due to the impossibility of separating the purchase of gold from the population and the purchase of mined gold during the period from January 1, 1923, to October 1, 1924, the latter is included in the purchase from the population.

Note: Data are rounded.

Source: RGAE, F. 2324, Op. 1, D. 788, LL. 115, 116.

Table 2. **Dwindling gold reserves of the Russian Empire, 1914–1922 (in millions of gold rubles)**

Balance as of January 1, 1914	1,695.0
Sent abroad by the imperial and Provisional governments during World War I, and partly sold for military credits, October 1914–October 1917 (–)	643.4
Balance as of November 1, 1917	1,101.7
Romanian gold (+)	117.0
The "Kazan' gold" captured by Komuch in August 1918 and passed to Admiral Kolchak (–)	651.5
Part of the "Kazan' gold" that the Bolsheviks were able to return, Irkutsk, March 1920 (+)	409.5
Paid to Germany because of the Treaty of Brest-Litovsk (–)	124.8
Paid to the Baltic states and Poland (–)	over 30.0
Aid to Turkey, 1920–1921 (–)	16.5
Soviet gold export, 1920–1922 (–)	680.0
Treasury's gold revenue (confiscations and gold production of Glavzoloto), October 1917–January 1922 (+)	84.4
USSR's approximate gold reserves, 1922 (based on this table's calculations)	209.8
Gold reserves as of February 1, 1922 (according to the "Report on the Gold Reserve," Romanian gold included)	217.9
Outstanding payments in gold as of February 2, 1922 (–)	103.0

Note: Data are rounded.

Source: STO, "Otchet po zolotomu fondu" (RGASPI, F. 5, Op. 1, D. 2761); Vasil'eva and Knyshevskii, *Krasnye konkistadory*; Smele, "White Gold"; *Russian Gold: A Collection of Articles*; Novitzky, *Proiskhozhdenie zolotogo zapasa* (RGAE, F. 2324, Op. 1, D. 833, LL. 1–20); Florinsky, ed., *Russian Public Finance during the War*.

Table 3. **Real currency position of the USSR (in millions of gold rubles)**

Date	October 1926	October 1927	January 1928	April 1928	July 1928	September 1928
Total	247.5	267.1	256.0	213.0	174.6	131.4
Precious metals (included in total):						
	n.d.	205.3	211.9	192.0	139.7	104.8

Note: The "real currency position" means the rest of the gold, platinum, and foreign currency in the depositories of Gosbank within the USSR and in its accounts abroad after the deduction of the required payments. The figures are for the first day of the month.

Source: RGAE, F. 2324, Op. 1, D. 790, L. 184; D. 815, L. 11.

Table 4. **Balance of foreign trade of the USSR (in millions of gold rubles; according to the published customs statistics; calculated in prices of the corresponding year)**

Year	Exports (1)	Imports (2)	Balance (3)
1928	799.5	953.1	–153.6
1929	923.7	880.6	+43.1
1930	1,036.4	1,058.8	–22.4
1931	811.2	1,105.0	–293.8
1932	574.9	704.0	–129.1
1933	495.7	348.2	+147.5
1934	418.0	232.0	+186.0
1935	367.0	241.0	+126.0

Source: *Narodnoe khoziaistvo SSSR*; *Vneshniaia torgovlia SSSR za 1918–1940 gg*.

Table 5. **Soviet exports (in millions of gold rubles; according to archival data)**

	Exports in 1928/29 prices (expected revenue)	Exports in corresponding year prices (real revenue)		
Year	Gosplan's data	Gosplan's data	Gosbank's data	Export revenue shortage
1928/29	725.5	725.5	711.5	
1929/30	913.4	755.6	788.7	124.7–157.8
1930	n.d.	n.d.	789.1	n.d.
1931	1,261.7	672.0	648.7	589.7–613.0
1932	1,183.6	492.9	n.d.	690.7
1933	1,001.0	374.8	n.d.	626.2
1934	954.8	369.7	n.d.	585.1
1935	913.7	350.3	n.d.	563.4

Source: RGAE, F. 7733, Op. 37, D. 2435, L. 18; F. 2324, Op. 1, D. 939, LL. 17, 19, 34, 84.

Table 6. **Soviet precious metals shipments (in millions of gold rubles; gold/other precious metals)**

Years	1	2	3*	4
1931	114.9/1.5	114.8/n.d.	114.6/5.4	n.d.
1932	94.0/1.1	94.8/n.d.	89.4/13.5	110.0/n.d.
1933	70.1/1.8	93.7/n.d.	77.9/32.7	170.0/n.d.
1934	57.2/0.01**	48.5/n.d.***	93.8/25.2	n.d.

1—US Embassy's data; 2—data published in *Sowjetwirtschaft und Aussenhandel* (1934, no. 11–12: 43), an official organ of the Soviet trade mission in Germany; 3—Dohan; 4—Rozengol'ts's data that in addition to gold include currency.

* Other precious metals include platinum and silver. According to Dohan, in 1935, shipments of precious metals dropped to 28.9/20.4 million rubles.
** The period from January 1 to April 23, 1934.
*** First quarter of 1934.

Source: NARA, RG. 84, vol. 426. Enclosure no. 1 to Dispatch no. 259 dated April 30, 1934, "Shipments of Gold and Other Precious Metals from Soviet Russia to Berlin through Riga"; Dohan, "Soviet Foreign Trade in the NEP Economy," 851 (published in Davies, Harrison, and Wheatcroft, *Economic Transformation of the Soviet Union*, 313, table 45; *Bol'shevik*, no. 9–10 (1934): 33.

Table 7. **Gold mining in Russia in 1913 and 1917–1925 (tons; published data)**

1913	1917	1918	1919	1920	1921	1922	1923	1924	1925
60.8	30.9	26.4	7.9	2.8	2.5	7.4	11.5	23.9	29.9

Source: *Zolotopromyshlennost' SSSR*, 18, 20. In the source, data are given in poods. Converted to tons at the rate of 1 pood = 16.38 kg.

Table 8. **Gold mining in the USSR in 1921/22–1929/30 (tons of pure gold)**

Archival data of				
	Narkomfin		Gosbank	
Year	Total	Including *skupka**	Total	Including *skupka**
1921/22	8.0	5.2	n.d.	n.d.
1922/23	11.2	5.7	n.d.	n.d.
1923/24	17.6	9.5	n.d.	n.d.
1924/25	31.3	18.2	n.d.	n.d.
1925/26	31.5	11.1	n.d.	n.d.
1926/27	22.6	6.1–3.9	23.1	3.9
1927/28	21.8	2.5	25.7	2.9
1928/29	24.0	0.6	n.d.	n.d.
1929/30	27.4	n.d.	n.d.	n.d.

**Skupka* (purchase) includes gold bought by Soiuzzoloto in mining areas from private prospectors, and its purchases of gold mined above planned quotas; does not include household gold bought by Soiuzzoloto from the population, an operation that began only in 1929. Data are rounded.

Notes: Narkomfin's data include gold production of the Soiuzzoloto, Lenzoloto, and Lena Goldfield concessions and the Polymetallic Trust, as well as *skupka*. The 1929/30 data include 0.4 tons of gold received from the OGPU. Gosbank's data are the preliminary calculations. The 1926/27 data include 10.5 tons mined by Soiuzzoloto, 2.1 tons produced by "fellow

companies" (i.e., VSNKh enterprises that extracted gold from alloys as a byproduct of their major operations), 6.6 tons mined by concessions, and 3.9 tons of *skupka*. The 1927/28 data include 13 tons (Soiuzzoloto), 2.6 tons ("fellow companies"), 7.2 tons (concessions), and 2.9 tons (*skupka*).

Source: RGAE, F. 7733, Op. 37, D. 2254, LL. 7, 15, 16, 31; F. 2324, Op. 1, D. 810, L. 153.

Table 9. **Gold mining production in the USSR and gold purchased by Torgsin, 1930–1935 (tons of pure gold)**

Years	Non-prison labor mining*	Dal'stroi	Torgsin (coins included)	Total	
				Without Torgsin**	Including Torgsin
1930	28.1	—	—	28.1	—
1931	33.2	—	n.d.	33.2	n.d.
1932	36.3	0.5	20.8	36.8	57.6
1933	50.5	0.8	45.0	51.3	96.3
1934	66 (plan)	5.5	21.3***	n.d.	n.d.
1935	80.9	14.5	11.9	95.4	107.3

* Includes the Narkomtiazhprom enterprises (Soiuzzoloto/Glavzoloto, "fellow companies"). It is not clear whether the data include gold bought up in mining areas from private prospectors. P.S Grebenyuk (*The gold factor*, 897) with the reference to archival documents gives the following figures for "Glavzoloto's gold production" (tons): 1931—28.2; 1932—31.3; 1933—40; 1934—54.9; 1935—67.8. His data are lower than those presented in this table probably because the "fellow companies'" gold production and private prospectors' input are not included in his calculations.
** Compare with the 1930s inflated calculations by the US embassy in Moscow, which were based on the published data and official statements of Soviet leaders: 1930—46; 1931—55.2; 1932—60.3; 1933—82.8; 1934—113, 1935—141.4 (NARA, Decimal file 861.6341/101, Memorandum, "Gold Production in the Soviet Union in 1937 and 1938," 3, 32).
*** Due to lack of data, the amount of household gold purchased in the fourth quarter is an average of the first three quarters of 1934.

Explanations by year:

1930: actual industrial production data. Kolyma gold mining was insignificant. Torgsin had not yet begun to accept gold.

1931: actual industrial production data. The 1931 gold production plan called for 64.3 tons. The Politburo required it be raised to 65–70 tons. Torgsin's purchases were insignificant; its operations with gold coins started only in June, and with household gold even later, in December.

1932: author's calculations based on archival evidence that gold production in 1932 constituted 129.1 percent of production in 1930 (28.1 tons). The 1932 plan called for 69.2 tons (not including Kolyma and Torgsin). The first Dal'stroi plan of 5 tons, adopted in 1932, was not fulfilled either.

1933: author's calculations based on archival evidence that gold production in 1933

constituted 179.8 percent of production in 1930 (28.1 tons). The 1933 plan for the Soiuzzoloto enterprises called for 84.5 tons. It was also expected that Dal'stroi would produce 25 tons, the "fellow companies" 16.5 tons, and that skupka would bring in another 8 tons of pure gold. The targets were not met.

1934: non-prison labor production data are not available. It is known, though, that the Politburo required the Narkomtiazhprom enterprises to bring production up to 85 million rubles (about 66 tons).

1935: author's calculations based on the Politburo's archival record that gold production in 1936 for the Narkomtiazhprom enterprises equaled 96.8 tons and constituted 119.7 percent of the actual gold production of these enterprises in 1935.

Sources: RGAE, F. 8153, Op. 1, D. 1, L. 9; D. 53, L. 16; F. 8154, Op. 1, D. 266, LL. 5,7; RGASPI, F. 17, Op. 162, D. 15, L. 145; D. 19, LL. 129–30; *Shirokov, Dal'stroi*, 103, 130, citing the State Archive of the Magadan Region (GAMO), F. R-23ss, Op. 1, D. 5, L. 14; Nordlander, "Magadan and the Economic History of Dal'stroi in the 1930s"; and Khlevniuk, "Economy of the OGPU, NKVD, and MVD."

Table 10. **World gold production (tons)**

	1913	1928	1932	1935
South Africa	273.7	322.1	359.5	335.1
United States	132.7	66.7	69.0	98.4
Canada	24.9	58.8	94.7	102.2
Australia	79.8*	14.2	22.2	28.5
Russia/USSR (not including Torgsin)	60.8	21.8–25.7**	36.8	95.4
USSR (including Torgsin)	—	—	57.6	107.3

*Including Oceania
** 1927/28 fiscal year.

Sources: Calculations (except for Russia/USSR) of the British companies Union Corporation, Limited, and The Firm of Sharps and Wilkins, published in *Neue Zuercher Zeitung*, March 8, 1938, and February 19, 1939. Cited in US Embassy Memorandum, "Gold Production in the Soviet Union in 1937 and 1938" (NARA, Decimal file 861.6341/101, 34). Data in the original source are in troy ounces. At conversion a troy ounce was considered equal to 31.103 grams. Data on Russia/USSR are from tables 7-9.

Table 11. **Gold operations in Torgsin (in millions of gold rubles)**

	Gold purchasing plan			Gold purchased			
Year	Scrap	Coins	Total	Scrap	Coins	Total	All valuables purchased
1931	n.d.	n.d.	n.d.	0.05	n.d.	n.d.	6.9
1932	14.9	6.0	20.9	19.0	7.8	26.8	49.3

Year	Gold purchasing plan			Gold purchased			All valuables purchased
	Scrap	Coins	Total	Scrap	Coins	Total	
1933	26.0	22.0	48.0	38.7	19.3	58.0	115.2*
1934	28.9	16.3	45.2	17.0**	10.5	27.5**	65.9
1935	8.5	4.5	13.0	8.0	7.3	15.3	47.7
1936 (January)	—	—	—	—	—	—	2.3
Total according to this table (sum of annual data):							
	78.3	48.8	127.1	82.7	44.9	127.6	287.3
Total according to Torgsin's final report:							
				82.4	44.7	127.1	287.3

Explanations by year:

1931: amount of gold purchased is insignificant. Torgsin began to buy tsarist gold coins in June and gold scrap only in December. According to Gosbank's data, the gold scrap bought by Torgsin in December 1931 amounted to forty-nine thousand rubles (about thirty-eight kilos of pure gold).

1932: through the year, the plan was revised several times.

1933*: including surplus (*pripek*)—that is, a precious metal excess due to a variety of reasons (an inaccuracy in determining weight and metal purity), for which owners were not paid. In 1933, on gold and silver, the surplus constituted nine million rubles.

1934**: due to lack of data, the amount of household gold purchased in the fourth quarter is an average of the first three quarters of 1934.

1935: Torgsin officially stopped accepting gold on November 15, 1935.

Total: The minor discrepancies between the final report figures and those in the annual reports may be due to the rounding of data and the operational nature of the annual data.

Source: RGAE, F. 2324, Op. 1, D. 964, LL. 11, 52; F. 4433, Op. 1, D. 7, L. 7; D. 19, L. 135; D. 64, LL. 80–81; D. 66, LL. 98, 131, 134, 146, 188, 190; D. 92, L. 171; D. 93, L. 12; D. 105, L. 45; D. 114, L. 38; D. 132, L. 123; D. 133, LL. 133, 141–43; D. 138, L. 25; D. 140, LL. 76–77; D. 154, LL. 79, 90. Torgsin's final results were published in Vneshniaia torgovlia (January 1936): 5.

Table 12. **Gold operations of the Leningrad and Smolensk offices of Torgsin, first three quarters of 1934 (thousands of gold rubles, in Torgsin purchasing prices)**

Type of gold	Leningrad (Northwestern) office	Smolensk (Western) office
Scrap (*lom*)	1,539.5	74.2
Tsarist coins (*chekan*)	555.1	82.1

Note: The Smolensk office began its existence in 1933, and like many other branches, experienced initial statistical chaos. Due to lack of data on the Smolensk Torgsin, it is not possible to make a similar analysis for 1933, the year of mass famine, more dramatic and

probably more revealing.

Source: LOGAV, F. 1154, Op. 10, D. 1, L. 3; GASO, F. 1424, Op. 1, D. 18, L. 78.

Table 13. **Gold purchased by Torgsin in 1933 (in thousands of gold rubles, in Torgsin's purchasing prices)***

Quarter	Coins	Scrap	Total gold	Total valuables	Percentage of gold in total valuables
First	3,826.5	10,440.7	14,267.2	24,943.4	57.2
Second	6,931.0	13,218.5	20,149.5	35,530.1	56.7
Third	5,126.2	8,940.6	14,066.8	27,158.4	51.8
Fourth**	3,650.0	6,500.0	10,150.0	21,530.0	47.0
Total**	19,533.7	39,099.8	58,633.5	109,161.9	53.7
Total***	19,318.7	38,676.2	57,994.9	106,359.2	54.5

* Without the surplus (see explanations for table 11).
** The fourth quarter data are preliminary.
*** According to updated figures as of the beginning of 1934. These data are not divided by quarters.

Source: RGAE, F. 4433, Op.1, D. 93, L. 12; D. 114, L. 38; D. 132, L. 123.

Table 14. **Silver operations in Torgsin (millions of gold rubles)**

Year	Silver procurement plan (in Torgsin's purchasing prices not counting surplus*)	Silver purchased (in Torgsin's purchasing prices not counting surplus*)	All valuables purchased
1932	—	0.3**	49.3
1933	40.0	23.4	115.2
1934	18.2	12.9***	65.9
1935	7.5	4.5	47.7
Total****		41.1	287.3

* Surplus (*pripek*) is an excess value that the state received due to the gold contained in silver ligature and the difference between Torgsin's purchasing price and the world market price for silver.
** Torgsin began to purchase silver in December 1932.
*** Data up to December 11, 1934.
**** According to Torgsin's final report, silver combined with precious stones and platinum totaled 71.1 million gold rubles. For the grand total of 287.3 million rubles, see table 11.

Source: RGAE, F. 4433, Op. 1, D. 66, L. 190; D. 92, L. 123; D. 101, L. 98; D. 113, L. 5, D. 132, LL. 121, 123; D. 140, LL. 75–76; D. 154, L. 90.

Table 15. **Diamond purchasing operations in Torgsin (in Torgsin's purchasing prices, millions of gold rubles)**

Year	Plan	Diamonds purchased	All purchased valuables
1933	—	0.4	115.2
1934	7.3	no more than 3.0*	65.9
1935	2.5	1.6	47.7
Total		under 5.0**	287.3***

* Calculated by an extrapolation of the data from the first half of the year (1.7 million gold rubles) to the second half of the year while taking into account some probable decrease in diamond deliveries to Torgsin throughout the second half of the year.
** Approximate, based on annual data.
*** Including valuables purchased in 1931–1935 and in January 1936.

Note: Torgsin's diamond operations began in August 1933.

Sources: RGAE, F. 4433, Op. 1, D. 105, L. 44; D. 114, L. 38; D. 127, LL. 7, 8; D. 131, LL. 147, 184; D. 140, LL. 75, 77; D. 154, L. 90.

Table 16. **Money transfers to Torgsin from abroad (millions of gold rubles)**

Year	Planned*	Received	All valuables procured by Torgsin
1931	1.2	1.3	6.9
1932	n.d.**	10.5	49.3
1933	14/18	14	115.2
1934	19/12	11	65.9
1935	14/10.5	9.7	47.7
1936 (January)	8	n.d.	2.3
Total			
Based on annual data		46.5	287.3
Based on Torgsin's final report		46.7***	287.3

*For 1933–1935, the original/revised plans.
**The plan for the first half of 1932 amounted to 4.6 million rubles. It was overfulfilled by 111 percent (5.1 million rubles).
*** A small discrepancy (0.2 million rubles) between the annual data and Torgsin's final report probably represents money transfers that arrived in January 1936.

Note: Torgsin accepted money transfers from abroad from September 1931 through January 1936.

Source: RGAE, F. 2324, D. 948, L. 28; F. 4433, Op. 1, D. 13, L. 9; D. 66, L. 190; D. 91, L. 88; D. 109, L. 22; D. 114, L. 38; D. 133, L. 141; D. 140, L. 75; D. 145, L. 378; D. 154, L. 90; D. 175, L. 64.

Table 17. **Sales of goods vs. purchases of valuables in Torgsin (in millions of gold rubles, in Torgsin's prices)**

	1931	1932	1933	1934	1935	1936*	Total according to annual reports	Total according to final report
Goods sold	6.9	51.4	106.5	60.7	41.1**	n.d.	266.6	275.0***
Share of food (%)	n.d.	59	82	74	49	n.d.	n.d.	n.d.
Paid to people for their valuables (based on final report)	6.9	49.3	106.2****	65.9	47.7	2.3		278.3****

* After it was officially closed, in February 1936, Torgsin no longer accepted valuables from the population, but it continued to sell goods until the summer to absorb its money that remained with the population.
** Expected fulfillment.
*** The total amount of sales according to the annual reports is slightly lower than according to Torgsin's final report due to the fact that the 1935 sales in the annual report were underestimated and due to the absence of data for the beginning of 1936 when people rushed to utilize their remaining Torgsin money.
****The 1933 surplus received on gold and silver in the amount of 9 million rubles, for which the population was not paid, is not included (for explanations, see table 11).

Source: RGAE. F. 4433, Op. 1, D. 66, LL. 54, 94, 102; D. 132, LL. 34, 65; D. 153, L. 22; D. 160, L. 104; D. 175, LL. 62, 63, 129, 130.

Table 18. **Sale prices in Torgsin (gold kopecks per kilo)***

	Phases of Torgsin's pricing policy				
	Famine's height	Famine's retreat	Government's dictates		Buying rush at finale
Goods	First quarter, 1933	Fourth quarter, 1933	Second quarter, 1934	Third quarter, 1935	December 1935
Rye flour	20	8**	8	6	8
Wheat flour	24***	7****	11	9	11
Sugar	46	25	28	21	22
Vegetable oil	90	30	50	52	55
Butter	160	50	60	75	86
Eggs (10)	50	18	24	n.d.	n.d.
Cheese (different varieties)	120	50	75	n.d.	n.d.
Buckwheat	26***	14****	17	13	16
Pasta	45	20	22	n.d.	n.d.
Groats/rice	18	8	18	18	22
Meat	60	25	37	38	42
Candy	80***	35****	45	55	64
Wine/vodka (liter)	80	40	n.d.	34	52
Black caviar	400***	260****	350	360	450
Red caviar	90***	60****	70	n.d.	n.d.
Laundry soap	50	30	30	22	36
Bath soap (1 bar)	12***	8****	9	12	16
Kerosene stove (piece)	450	300	n.d.	130	172
Leather shoes (pair)	600	300	n.d.	n.d.	n.d.
Cotton fabric (meter)	220	120	n.d.	n.d.	n.d.

* For 1933, average quarter prices are shown. For the second quarter of 1934, the lowest prices (minimum) established by the STO commission are shown. For the third quarter of 1935, the prices are as of July 1. For the "buying rush" phase, the planned prices are shown.
** By the end of 1933, the price dropped to five gold kopecks per kilo.
*** Price as of April 1, 1933.
**** Winter prices at the beginning of 1934.

Source: RGAE, F. 4433, Op. 1, D. 94, LL. 16, 31; D. 114, L. 47; D. 133, LL. 91–93; GARF, F. 5446, Op. 15a, D. 818, L. 15.

Table 19. **Price comparison: Torgsin, rations, and free market, 1933 (rubles per kilo)**

	Torgsin*					Rations**	Market**
	In gold rubles		Recalculated in regular rubles				
	Quarter					Average annual prices	
Foodstuff	1st	4th	1st	4th	average	Moscow–Ivanovo	Moscow–Ivanovo
Rye flour	0.20	0.08	12.00	4.80	8.40	0.24–0.23	5.00 (17.00)***
Sugar	0.46	0.25	27.60	15.00	21.30	2.60–3.40	20.80–22.60
Butter	1.60	0.50	96.00	30.00	63.00	8.40–9.30	39.40–41.50
Vegetable oil	0.90	0.30	54.00	18.00	36.00	3.20–4.25	31.30–32.80
Meat	0.60	0.25	36.00	15.00	25.50	3.60–3.75	13.00–10.30
Eggs (10)	0.50	0.18	30.00	10.80	20.40	10.00–8.50	19.30–15.10

* Average prices for the first and fourth quarters of 1933 are shown. Prices in gold rubles are recalculated into regular rubles based on the 1933 black market exchange rate (1:60). In some regions, the exchange rate was even higher. Thus, in Central Asia, in the summer–autumn of 1933, on the black market people paid 65–70 rubles for Torgsin's gold ruble.
** Average annual prices for rations and average annual market prices paid by Moscow and Ivanovo industrial workers are shown. Data are taken from workers' family budgets.
*** According to workers' family budgets, the average price of rye flour in 1933 was five rubles per kilo. Such a low price is a result of averaging the high prices at the beginning of the year and the low prices at the end of the year, when the supply situation improved. In early 1933, at the famine's height, the market price of flour was well above the average annual figure of five rubles per kilo; thus, in Moscow a kilo of flour at a market cost seventeen rubles (Osokina, *Ierarkhiia potrebleniia*, 46).

Source: RGAE, F. 4433, Op. 1, D. 114, L. 47; F. 1562, Op. 329, D. 61, LL. 133–36.

Table 20. **Torgsin's seaport trade (millions of gold rubles)**

	1931	1932	1933	1934	1935
Currency obtained	n.d.	1.4*	2.0	2.6	2.7

* The Leningrad seaport was the absolute leader, followed by the infamous Gol'dshtein den in Odessa.

Note: Torgsin started serving seaports in October 1930 and ceased operations in early 1936. The data for 1930–1931 have not been found but are unlikely to exceed one million gold rubles.

Source: RGAE, F. 4433, Op. 1, D. 132, L. 123; D. 133, L. 103; D. 154, L. 90.

Table 21. **The efficiency of Torgsin's operations**

	1932	1933	1934	1935 (nine months)	1932—1935
Torgsin's expenses (debit)					
1. Cost of domestically produced goods (sold, unsold by end of year, rations, shortfalls, goods from reserves)					
(a) in Torgsin's sale prices (millions of gold rubles)	87.3*	96.1	57.3	26.3	267.0
(b) in producers' prices (millions of regular Soviet rubles)**	282.8	311.1	262.8	239.2	1,095.9
2. Distribution costs (overhead; sales expenses; administrative, management, and organizational expenses; packing materials, staff costs, etc.) (millions of regular Soviet rubles)	40.5	141.7	142.4	78.0	402.6
3. All expenses without Torgsin's import costs (millions of regular Soviet rubles)	323.3*	452.8	405.2	317.2	1,498.5
Torgsin's income (credit)					
4. Hard-currency income					
(a) valuables in Torgsin's purchasing prices, including surplus (*pripek*) (millions of gold rubles)	49.3	115.2	65.9	34.6	265.0
(b) Same as (a) minus Torgsin's import costs	45.2	111.2	63.0	32.5***	251.9
(c) Same as (b) expressed in pure gold (tons)****	35.0	86.2	48.8	25.2	195.2
(d) Same as (c), expressed in world gold prices (millions of US dollars)*****	23.3	57.3	54.9	28.4	163.9
5. Value of sold goods including Torgsin's imports					
(a) in Torgsin's prices (millions of gold rubles)	51.4	106.5	60.7	32.1	250.7
(b) in producers' prices (millions of regular Soviet rubles)**	166.5	345.0	279.1	292.0	1,082.6

	1932	1933	1934	1935 (nine months)	1932—1935
Torgsin's profitability					
6. Regular Soviet rubles invested per one gold ruble received, line 3 divided by line 4b	7.2*	4.1	6.4	9.8	5.9
7. Gold kopecks received per one regular Soviet ruble invested, line 4b divided by line 3	14.0	25.0	16.0	10.0	17.0
8. Cost of gold: regular Soviet rubles per gram of pure gold (line 3 minus line 5b, then the residual divided by line 4c)	4.48	1.25	2.58	1.0	2.13

* Rations, shortfalls (*nedostacha*), goods from emergency reserves not included. With these expenses taken into account, Torgsin's profitability in 1932 would be slightly lower than indicated in the table.

** Torgsin's economists recalculated its sale prices into producers' prices based on all sold goods including imported ones. Due to the insignificance of Torgsin's imports, this inaccuracy can be ignored. In 1932, Torgsin received goods from Soviet exporters at prices calculated in gold rubles and, from 1933 on, from domestic suppliers at domestic producers' prices calculated in regular rubles. While recalculating Torgsin's 1932 sale prices into producers' prices, its economists used a 1933 ratio. Data in 5b, unlike 1b, include imported goods and remaining goods from the previous year.

*** Data on import expenses for nine months of 1935 were not found. However, it is known that in the first half of 1935 Soviet importers ordered goods for Torgsin worth 1.4 million gold rubles, 2.8 million gold rubles for the year as a whole. Based on this information, it is reasonable to assume that import costs during the first three quarters of 1935 amounted to about 2.1 million gold rubles.

**** Based on Torgsin's purchasing price of 1.29 rubles per gram of pure gold. Because valuables purchased by Torgsin included not only gold but also silver, diamonds, platinum, and foreign cash, the gold tonnage calculated in line 4c is conditional—that is, calculated under certain assumptions—and is not the actual amount of gold purchased by Torgsin.

***** Based on the world gold prices (per gram of purity) of 66.5 cents (until 1934) and $1.125 (from 1934 on).

Source: RGAE, F. 4433, Op. 1, D. 153, L. 24; D. 175, L. 129.

Table 22. **Torgsin's valuables* in relation to Soviet import costs and export earnings (percentage)**

	1932	1933	1934	1935	Average for 1932–1935
In relation to:					
Imports**	7.0	33.1	28.4	19.8	22.1
Exports**	8.6	23.2	15.8	13.0	15.2
Exports***	10.0	30.7	17.8	13.6	18.0

* Calculated based on Torgsin's purchasing prices including surplus (*pripek*); cost of Torgsin's imported goods is not deducted. Since the USSR sold Torgsin's valuables at world prices, which were higher than what it paid to the owners of valuables, Torgsin's share in relation to Soviet exports and imports was higher than shown in this table.
** Based on Soviet customs export and import statistics (table 4).
*** Based on unpublished archival statistics (table 5).

Table 23. **The fulfillment of annual hard-currency plans by major Soviet export organizations (Gosbank's data, net, in millions of gold rubles)**

	1931	1932	First half of 1933*
Exportkhleb (grain)	203.5	88.1	8.7
Exportneft' (oil)	101.9	89.5	41.4
Exportles (timber)	89.7	71.1	n.d
Torgsin (valuables)	3.7 (6.9)**	49.3	45.4
Antikvariat (art)	9.4	1.5	1.2

* Data for the second half of 1933 were not found, but Torgsin's final report claimed that throughout 1933 Torgsin kept the leading place in volumes of currency earnings; in 1934–1935 it took second place among the Soviet major export organizations, being outperformed only by oil exports.
** A discrepancy between Gosbank's (3.7) and Torgsin's data (6.9).

Source: RGAE, F. 2324, Op. 1, D. 939, L. 84; D. 964, LL. 53, 71a; F. 4433, Op. 1, D. 175, L. 130 verso.

Table 24. **Production cost of gold in the USSR in the 1930s**

	First half of the 1930s	Second half of the 1930s
1. Soviet official exchange rate (rubles per US dollar)	1.94	5.75–5.30*
2. World gold price** (US dollars per gram of purity	0.665	1.125
3. Production cost (US dollars per gram of purity)		
a) Dal'stroi***	2.36	0.80–0.86
b) Torgsin****	1.10	—*

* The official exchange rate in the USSR changed in the late autumn of 1935 during Torgsin's

liquidation, which is why the "production" cost of Torgsin's gold for the second half of the 1930s is not shown in the table. The head of Torgsin, Levenson, used an exchange rate of 5.75 rubles per US dollar in November 1935, while A.N. Piliasov (*Zakonomernosti i osobennosti*) refers to the rate of 5.30 rubles per US dollar that, according to him, existed in the USSR from July 19, 1937.
** The gold price changed at the beginning of 1934 with the US Gold Reserve Act.
*** Based on the 1932–1937 production cost of 4.57 rubles per gram of purity.
**** Based on the 1932–1935 "production" cost of 2.13 rubles per gram of purity.

Table 25. **Torgsin's imports (millions of gold rubles)**

	1932	1933	1934	1935	1932–1935	Total goods sold 1931–1936
In import purchasing prices	4.1	4.0	2.9	2.8	13.8	—
In sale prices	6.0	21.0	8.2	6.4*	41.6*	275.0

* The annual data on 1935 imports (in sale prices) were not found but it is known that during the first three quarters of the year the sale prices on the imported goods in Torgsin were, on average, 2.3 times higher than their import purchasing prices. The annual figure is calculated based on this ratio.

Source: RGAE, F. 4433, Op. 1, D. 22, LL. 73–74; D. 71, L. 170; D. 132, L. 68; D. 141, LL. 13, 14; D. 160, L. 104; D. 175, LL. 60, 129.

Table 26. **Planned reduction of Torgsin's trade network (according to the SNK decree "On Torgsin" of May 13, 1934)**

Region of the USSR	Number of stores as of April 20, 1934	Stores to close	Supposed to remain on January 1, 1935
Northern region	53	40	13
City of Leningrad	32	—	32
Leningrad region	50	25	25
Western (Smolensk) region	35	5	30
City of Moscow	38	3	35
Moscow region	57	17	40
Ivanovo region	44	20	24
Gor'kii region	55	25	30
Central Black Earth region	69	40	29
Urals	40	10	30
Bashkiriia	20	18	2
Tatarstan	35	28	7
Middle Volga region	52	35	17
Lower Volga region	45	25	20
Crimea	22	12	10
North Caucasus*	80	30	50
Kazakhstan	27	9	18
Kyrgyzstan	11	4	7
Western Siberia	57	27	30
Eastern Siberia	62	—	62
Far East region	42	20	22
Iakutiia	6	—	6
City of Khar'kov	18	3	15
Khar'kov region	24	8	16
City of Kiev	30	12	18
Kiev region	32	10	22
Chernigov region	16	3	13
Vinnitsa region	47	15	32
Dnepropetrovsk region	19	5	14
Donetsk region	13	5	8
City of Odessa	15	5	10
Odessa region	33	15	18
Belorussia	63	28	35
Russian Federation (RSFSR)**	103	38	65
Central Asia	73	10	63
Total	1,418	550	868

* Apparently, these figures include torgsins in the Soviet Transcaucasian republics as well.

** Includes torgsins not counted earlier for the Russian Federation's regions. The SNK decree did not specify their regional location within the RSFSR. Torgsin had to decide what stores and in what regions to close in agreement with Narkomsnab, which inherited

Torgsin's stores.
Note: In reality, the reduction of Torgsin's network went more rapidly than the SNK decree ordained.

Source: TsGA RUz, F. 81, Op. 1, D. 78, L. 3.

Table 27. **Final results of Torgsin's work (in millions of gold rubles)**

Valuables, including						
Gold			Platinum and precious stones	Foreign currency cash	Money transfers from abroad	Total
Coins	Scrap	Silver				
44.7	82.4	41.1	30.0	42.4	46.7	287.3

Note: The final report combines silver and precious stones. Their division here is based on Torgsin's statistics for silver purchases. The amount of purchased silver (worth 41.1 million gold rubles) may be slightly underestimated, since the data for 1934 cover the period only until December 11 (see table 14).

Source: RGAE, F. 4433, Op. 1, D. 133, L. 141.

Table 28. **Torgsin's purchases of valuables by year**

Year	All valuables in Torgsin's purchasing prices (millions of gold rubles)*	All valuables expressed in tons of pure gold (conditional tonnage)**	Conditional gold tonnage expressed in world market gold prices (millions of US dollars)***
1931	6.9	5.3	3.5
1932	49.3	38.2	25.4
1933	115.2	89.3	59.4
1934	65.9	51.1	57.5
1935	47.7	37.0	41.6
January 1936	2.3	1.8	2.0
Total	287.3	222.7	189.4

* Cost of imported goods (13.8 million gold rubles, table 25) is not deducted.
** Calculated based on Torgsin's gold purchasing price of 1.29 rubles per gram of purity. Valuables purchased by Torgsin included not only gold but also silver, platinum, precious stones, and currency, so the gold tonnage shown in the table is conditional that is calculated under certain assumptions and is not an actual amount of gold purchased by Torgsin.
*** Calculated based on world gold price (per gram of purity) of 66.5 US cents (before 1934)

and 1.125 US dollars (from 1934). These figures do not indicate the actual world market value of the treasures purchased by Torgsin, because besides gold they included other valuables, whose world market prices differed from the gold prices. However, these calculations make it possible to some extent to assess Torgsin's valuables in relation to dollars: *if* the Soviet government used Torgsin's valuables worth 287.3 million gold rubles to buy gold at the price of 1.29 gold rubles per gram of purity, that it considered to be an equivalent of the world gold price, then it would have acquired 222.7 tons of pure gold worth 189.4 million of US dollars (in 1930s purchasing capacity).

Source: RGAE, F. 4433, Op. 1, D. 133, LL. 18, 141.

Abbreviations

Comintern Communist International
CPSU Communist Party of the Soviet Union
Dal'stroi State Trust for Road and Industrial Construction in the upper Kolyma area (later the NKVD Main Far North Construction Administration)
EKU OGPU Economic Department of OGPU
Exportkhleb, Exportles, Exportneft' Soviet export organizations
GARF State Archive of the Russian Federation
GASO State Archive of the Smolensk Region
Glavpushnina Main Fur Administration of Narkomvneshtorg
Glavtsvetmetzoloto Main Administration for Nonferrous Metals and Gold Processing
Glavzoloto/Soiuzzoloto Main Gold Committee
Gokhran State Precious Metals and Gems Repository
GORT State Department of Retail Trade
Gosbank State Bank of the USSR
Gosplan State Planning Committee
GPU Local branch of the OGPU
Gulag Main Labor Camp Administration
IMPR International of Sailors and Seaport Workers
Insnab Soviet state agency responsible for the provision of foreigners employed in the USSR
Interclubs International clubs in Soviet seaports
Intourist State travel agency of the USSR
KVZhD Chinese Eastern Railway
Komsomol Communist Youth League
Koverkustexport State agency charged with export of carpets, crafts, and so on.
KPK Committee of Party Control
LOGAV Leningrad Region State Archive in Vyborg
Mosgostorg Association of Moscow Trade Enterprises
NARA US National Archives and Records Administration
Narkomfin People's Commissariat of Finance
Narkomiust People's Commissariat of Justice
Narkomnats People's Commissariat of Nationalities
Narkompishchprom People's Commissariat of the Food Industry
Narkompochtel People's Commissariat of Posts and Telegraphs
Narkomput' /NKPS People Commissariat of Transportation
Narkomsnab People's Commissariat of Supplies
Narkomtiazhprom People's Commissariat of Heavy Industry
Narkomtorg People's Commissariat of Trade

Narkomtrud People's Commissariat of Labor
Narkomvneshtorg People's Commissariat of External Trade
Narkomvnutorg People's Commissariat of Internal Trade
NEP New Economic Policy
NKID People's Commissariat of Foreign Affairs
NK RKI/Rabkrin People's Commissariat of Workers' and Peasants' Inspection
NKVD People's Commissariat of Internal Affairs
OGPU Joint State Political Directorate, political (security) police
OVIR Passport and Visa Agency
Politburo Political Bureau of the Communist Party of the USSR
Profintern International of Labor Unions
Razvedupr RKKA Intelligence Directorate of the Red Army
RGAE Russian State Archive of Economics
RGANI Russian State Archive of Contemporary History
RGASPI Russian State Archive of Social and Political History
RKKA Workers' and Peasants' Red Army
RSFSR Russian Soviet Federal Socialist Republic
Sovfrakhttransport All-Union Association for transportation of commercial shipments from abroad to the USSR, later "Sovfrakht."
Sovnarkom/SNK Council of People's Commissars
Sovsin′torg Soviet Association for Trade with Western China
Sovtorgflot Soviet Commercial Fleet company
STO Council of Labor and Defense
TOT Torgsin's commodity orders (money)
TsA FSB Central Archive of the Federal Security Service
TsGAMO Central State Archive of the Moscow Region
TsGA RUz Central State Archive of the Republic of Uzbekistan
TsIK Central Executive Committee of the USSR
TsK Central Committee of the Communist party
TsKK Central Control Commission
UGRO Criminal Investigation Department
UPO Department of Money Transfers and Parcel Operations, later Department of Foreign Operations (UZO)
USSR Union of Soviet Socialist Republics, Soviet Union
VChK/Cheka All-Russian Extraordinary Commission for Combating Counterrevolution and Sabotage
VKP(b) All-Union Communist Party (Bolsheviks)
Vneshtorgbank State Bank of External Trade
VSNKh Supreme Board of the National Economy
VTsSPS All-Union Central Council of Trade Unions
ZIL The Likhachev Automobile Factory
ZIS The Stalin Automobile Factory

Notes

Introduction: An Accidental Finding

1. Osokina, *Za fasadom "stalinskogo izobiliia*," published in English as *Our Daily Bread*.

2. Russian State Archive of Economics (RGAE), Fond (F.) 4443, Opis′ (Op.) 1, Delo (D.) 133, List (L.) 136. The term "hard currency" in this book refers to foreign monies and in some cases also includes gold and other currency valuables in contrast to Soviet rubles.

3. See Nove, *Economic History of the USSR, 1917–1991*; Davies, *Crisis and Progress in the Soviet Economy, 1931–1933*; Dohan, "Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy"; and works by the Soviet economists who for a long time monopolized the study of Soviet trade: Aizenberg, *Valiutnaia sistema SSSR*; Dikhtiar, *Sovetskaia torgovlia v period postroeniia sotsializma*; Rubinshtein, *Razvitie vnutrennei torgovli v SSSR*; and Gladkov, *Istoriia sotsialisticheskoi ekonomiki SSSR*, vol. 4.

4. The socio-economic studies of Torgsin began with Osokina, *Za fasadom "stalinskogo izobiliia*." See also Hessler, *Social History of Soviet Trade*; and Gorokh, *Zoloto—derzhavi!*.

5. Note on spelling: Torgsin stands for the entire organization. A phrase like "the Leningrad Torgsin" means the Leningrad office/branch of Torgsin. If written in lowercase in singular or plural form—torgsin(s)—the word is a synonym for the shop(s) of Torgsin.

6. For revealing Soviet examples, see Kul′chitskii, *Vnutrennie resursy sotsialisticheskoi industrializatsii SSSR (1926–1937)*; and Barsov, *Balans stoimostnykh obmenov mezhdu gorodom i derevnei*. For a summary of the Western debates, see Davies, Harrison, and Wheatcroft, *Economic Transformation of the Soviet Union, 1913–1945*. The most recent major contribution is Allen, *Farm to Factory*. For a comparative analysis of the Russian and Western historiography on this issue, see Osokina, "Istochniki i metody obespecheniia forsirovannoi industrializatsii v SSSR," in *Istoriia SSSR*, vol. 13. Moscow: forthcoming.

7. See the excellent review by R. W. Davies, "Economic History of the Soviet Union Reconsidered."

8. Osokina, *Our Daily Bread*; Hessler, *Social History of Soviet Trade*.

9. This conclusion challenges Kotkin's interpretation of Soviet socialism as non-capitalist modernity (*Magnetic Mountain*). Indeed, Soviet leaders proclaimed the idea of progress based on the rejection of capitalist principles, but Torgsin's story testifies that noncapitalist purity was not and could not be preserved. Entrepreneurship and the market were integral parts of Soviet socialism. "Red attacks on capital" led to deep economic crises, and normalization was achieved through market and semimarket reforms. See Davies, *Crisis and Progress in the Soviet Economy, 1931–1933*; and Davies, *Soviet Economy in Turmoil, 1929–1930*.

10. I first expressed this view in *Za fasadom "stalinskogo izobiliia*," which documented people's direct involvement in industrial production as one of the major principles governing the state's distribution of food and goods during the lean years of the first five-year plans. I expanded on this interpretation in my new book *Nebesnaia golubizna angel′skikh*

odezhd by exploring the role that Stalin's government played in the creation of a world market in Russian religious art.

11. See, for example, Fitzpatrick, *Everyday Stalinism*; and Kotkin, *Magnetic Mountain*.

12. On the issue of resistance, see David-Fox, Holquist, and Poe, *Resistance Debate in Russian and Soviet History*; Viola, *Contending with Stalinism*; and Osokina, "O sotsial'nom immunitete, ili kriticheskii vzgliad na kontseptsiiu passivnogo (povsednevnogo) soprotivleniia."

13. Dunham, *In Stalin's Time*; Gronow, *Sociology of Taste*; Fitzpatrick, "Becoming Cultured"; Volkov, "Concept of Kul'turnost'"; Kelly, "Creating a Consumer"; Boym, *Common Places*; Hessler, *Social History of Soviet Trade*; Randall, *Soviet Dream World of Retail Trade and Consumption in the 1930s*. However, scholars disagree about whether the society and culture of mass consumption were built in the USSR in the 1930s. For two different approaches, see the works by Hessler and Randall cited here.

14. Ledeneva, *Russia's Economy of Favours*.

15. For different interpretations of the shift, see Trotsky, *Revolution Betrayed*; Timasheff, *Great Retreat*; Fitzpatrick, *Education and Social Mobility in the Soviet Union, 1921–1934*; Fitzpatrick, "Middle Class Values and Soviet Life in the 1930s"; and Stites, *Russian Popular Culture*. Vera Dunham (*In Stalin's Time*) dates the shift to the postwar period.

16. Transcript of Stalin's speech at the 1934 November plenum of the CPSU Central Committee announcing the abolition of bread rations (RGASPI, F. 17, Op. 2, D. 536; Op. 10, D. 127, LL. 48–59).

17. This book also came out in Chinese in 2020.

1. The Birth of Torgsin

1. Along with Torgsin, there were other organizations that serviced foreigners: Intourist, Insnab, Otel', and the OGPU. Each had its specialization: tours and excursions, food supplies, hotel services, or political surveillance.

2. RGAE, F. 4443, Op. 1, D. 3, LL. 4, 165.

3. Leningrad Region State Archive in Vyborg (LOGAV), F. 1154, Op. 1, D. 1, L. 89; D. 4, L. 1 verso.

4. RGAE, F. 4433, Op. 1, D. 3, LL. 3–4.

5. In 1932, Insnab was put under the auspices of Torgsin. For more on the hierarchy of consumption in the 1930s, see Osokina, *Our Daily Bread*.

6. Some fifteen thousand foreign tourists were expected to arrive in the USSR by ship during the 1931 navigation season (LOGAV, F. 1154, Op. 1, D. 4, L. 7 verso).

7. In the Soviet lexicon, the word *currency* (*valiuta*), unlike the word *money* (*den'gi*), usually referred to foreign hard currency. In the 1930s, despite its inconvertibility, the Soviet ruble in official documents was called "the Soviet currency." However, to avoid confusion, the financial organizations referred to foreign currency as "effective" (*effectivnyi*) for short, thus recognizing its fundamental difference from the ruble, which was implicitly recognized as an ineffective currency.

8. RGAE, F. 4433, Op. 1, D. 8, L. 59 and verso.

9. RGAE, F. 4433, Op. 1, D. 4, L. 83; D. 8, L. 32 and verso.

10. Angry letters from Narkomfin testified to the violations (RGAE, F. 4433, Op. 1, D. 8, L. 32 and verso).

11. RGAE, F. 4433, Op. 1, D. 8, L. 32.

12. RGAE, F. 4433, Op. 1, D. 5, L. 116.

13. RGAE, F. 4433, Op. 1, D. 4, L. 83; D. 8, L. 32 verso.

14. RGAE, F. 4433, Op. 1, D. 88, L. 50.

15. RGAE, F. 4433, Op. 1, D. 3, L. 80.

16. RGAE, F. 4433, Op. 1, D. 3, L. 97.

17. RGAE, F. 4433, Op. 1, D. 8, LL. 55–56, 63.

18. In September 1931, Narkomfin decreed that for transfers of up to a hundred dollars no more than one-third of the total amount could be transferred to Torgsin. The share of the allowed transfer quota decreased as the amount of transfer grew (RGAE, F. 4433, Op. 1, D. 8, L. 63).

19. RGAE, F. 4433, Op. 1, D. 8, LL. 90, 91.

20. RGAE, F. 4433, Op. 1, D. 8, L. 89.

21. RGAE, F. 4433, Op. 1, D. 8, LL. 55–56.

22. RGAE, F. 4433, Op. 1, D. 8, L. 63.

23. Only on October 21, 1932, did the People's Commissariat of Supplies hand over the supply of diplomatic missions to Torgsin. Special Torgsin stores for diplomats opened, signifying the emergence of a hierarchy of hard-currency stores within the Torgsin network (RGAE, F. 4433, Op. 1, D. 26, L. 165).

2. A Golden Idea

1. The nationalization of the subsoil proclaimed when the Bolsheviks came to power was formally confirmed by the decree of April 30, 1920, which gave the state a monopoly on extraction of mineral resources, including gold. The resolution of the Supreme Board of the National Economy (VSNKh) of February 22, 1918, created the Main Gold Committee (Glavzoloto). A decree of January 15, 1918, established a state monopoly on buying up gold and other precious metals. All prospectors and mining enterprises had to sell gold to the state at a fixed price. According to the decree of the Council of People's Commissars (Sovnarkom, SNK) of June 23, 1921, "On the Distribution of Extracted Gold and Platinum," neither private individuals nor organizations could purchase, exchange, or distribute gold in its raw form or bullion. See Chernosvitov and Zatulkin, "Zolotopromyshlennoe zakonodatel ′stvo SSSR."

2. The VSNKh resolution of January 12, 1918, established the state monopoly on trade in precious metals. Private currency operations were subject to the 1918 law on speculation, according to which—under penalty of imprisonment for a minimum of ten years and confiscation of all property—it was prohibited to sell, purchase, or even hold gold in its raw form, bars, or coins. The VSNKh resolution of February 17, 1918, also prohibited the trade in artifacts made of gold of the fifty-sixth and higher fineness (14-carat and higher) (Chernosvitov and Zatulkin, "Zolotopromyshlennoe zakonodatel′stvo SSSR"). The fineness number (*proba*) indicates the content of pure metal in ligature. The higher the number, the higher the purity of the metal. In Torgsin's documents and in this book the fineness of gold and silver is defined according to the old system that existed in Russia until 1927 when purity was measured in *zolotniki* rather than in grams (1 *zolotnik* = 4.26575 g).

3. One Russian pound equals 0.40951241 kilos.

4. *Dekrety sovetskoi vlasti*, 8:41–48, 9:213–22.

5. The surrender was enforced by the decree of October 17, 1921, "On Requisitions and Confiscations," which prohibited hoarding of all types of gold: raw, bars, coins, or artifacts (Chernosvitov and Zatulkin, "Zolotopromyshlennoe zakonodatel′stvo SSSR").

6. The most important of these decrees are the resolution of October 20, 1922, on operations with securities, the law of February 15, 1923, on hard-currency operations, and the decree of April 19, 1923, on currency exports and currency transfers from abroad. For a detailed analysis of the 1920s hard-currency market, see Goland, "Currency Regulation in the NEP Period."

7. This monopoly was routinely violated by organizations and individuals (Goland, "Currency Regulation in the NEP Period," 1253).

8. For details, see Bokarev et al., *Russkii rubl': Dva veka istorii*; and Goland, "Currency Regulation in the NEP Period."

9. Currency operations of organizations were regulated more strictly than those of private individuals, although under the NEP there was still more currency freedom than in the 1930s.

10. In Gosbank, currency interventions were under the jurisdiction of the Currency and Stock Department (Valiutno-fondovyi otdel). They were directed by G. Arkus.

11. On Volin, see Goland, "Currency Regulation in the NEP Period," 1282–91.

12. On *amerikanki*, see Goland, "Currency Regulation in the NEP Period," 1258.

13. Fiscal years in the USSR started on October 1. To distinguish them from calendar years that start on January 1, they are presented with a slash, for example 1927/28 (a fiscal year) vs. 1927–1928 (two calendar years).

14. Goland, "Currency Regulation in the NEP Period," 1265, 1278, 1282.

15. See the memorandum "On the Movement of Gold Russian Coins of the Old Mintage from November 1921 to March 1, 1928" (RGAE, F. 2324, Op. 1, D. 788, L. 115). The government gave up the idea of minting Soviet gold coins analogous to the tsarist gold ten-ruble coins, believing that people would trust the old money more, and because it could negatively affect people's trust in the paper chervonets. For more, see Goland, "Currency Regulation in the NEP Period"; and Goland, *Diskussii ob ekonomicheskoi politike v gody denezhnoi reformy 1921–1924*.

16. Goland, "Currency Regulation in the NEP Period," 1265, 1278, 1282.

17. In the spring of 1924, the USSR began to list the chervonets on the exchanges in some foreign countries. To support the chervonets abroad, Gosbank bought up chervonets offered for purchase on foreign exchanges. It worked to strengthen the financial reputation of the Soviet Union and made it easier to obtain credit but required considerable currency expenses. See Goland, "Currency Regulation in the NEP Period," 1259.

18. The USSR gold and currency reserves are discussed in chapter 5.

19. Earlier, in May and June 1925, to cover the foreign trade deficit, Gosbank sold in London gold worth twenty million rubles (Goland, "Currency Regulation in the NEP Period," 1261, 1264).

20. Goland, "Currency Regulation in the NEP Period," 1282.

21. The government also cut down the currency rights of the organizations (Goland, "Currency Regulation in the NEP Period," 1280).

22. Goland, "Currency Regulation in the NEP Period," 1274–75, 1278–80; Mozokhin, *VChK-OGPU*, 206.

23. As of April 10, 1926, the OGPU arrested 1,824 persons and confiscated valuables worth 544,000 rubles (Mozokhin, *VChK-OGPU*, 208).

24. Mozokhin, *VChK-OGPU*, 204–5.

25. Goland, "Currency Regulation in the NEP Period," 1280.

26. On February 4, 1926, the Politburo obliged the STO to cut expenses in currency interventions in every possible way (Mozokhin, *VChK-OGPU*, 207).

27. Goland, "Currency Regulation in the NEP Period," 1291–93.

28. In Goland's opinion, the execution of Volin, which was an unusually severe response in the relative quiet of 1926, was for political reasons. Through Volin, the OGPU tried to undermine the positions of Sokol'nikov, who openly criticized Stalin at the Fourteenth Party Congress in December 1925. The black stock exchange was referred to in official speeches as "Sokol'nikov's child." Sokol'nikov was removed from the post of people's commissar of finance, but the matter developed no further.

29. Goland, "Currency Regulation in the NEP Period," 1293.

30. The EKU OGPU fought against the actions of the militia and its UGRO, which arrested "currency speculators" without OGPU approval, undermining investigations of the political police (Mozokhin, *VChK-OGPU*, 213).

31. Mozokhin, *VChK-OGPU*, 222–23.

32. Russian State Archive of Social and Political History (RGASPI), F. 17, Op. 162, D. 9, LL. 105, 134.

33. Bulgakov, *Master and Margarita*, ch. 15. Bulgakov worked on his novel from 1928 until 1940.

34. Kostyrchenko, *Tainaia politika Stalina*, 103.

35. Krivitsky, *In Stalin's Secret Service*, 102.

36. For resolutions on the executions of the "currency dealers," see RGASPI, F. 17, Op. 162, D. 9, LL. 39–40; and Mozokhin, *VChK-OGPU*, 215–16, with a reference to the Central Archive of the Federal Security Service (TsA FSB), F. 2, Op. 8, D. 633, LL. 1–10.

37. Mozokhin, *VChK-OGPU*, 217–19, 221.

38. In just one example, on November 1, 1931, at a Politburo meeting, Stalin himself made a presentation "On Gold," which required the use of all means possible to increase the USSR gold reserves quickly (RGASPI, F. 17, Op. 162, D. 11, L. 33).

39. RGAE, F. 4433, Op. 1, D. 5, L. 10.

40. Similar reports came from Kiev, Leningrad, Tiflis, Crimea, and other regions (RGAE, F. 4433, Op. 1, D. 8, L. 89).

41. RGAE, F. 4433, Op. 1, D. 4, L. 110; D. 8, L. 48.

42. Torgsin had a predecessor. Soiuzzoloto, a joint-stock company, bought up gold in nine cities of Siberia and the Far East, starting with the STO resolutions of January 11 and June 21, 1929. Soiuzzoloto (renamed Glavzoloto in 1933) accepted prospectors' gold as well as household and other gold artifacts. Those who sold gold to Soiuzzoloto could then buy goods in its shops. The board of Soiuzzoloto hoped to extend its activity, but the Politburo decided in favor of Torgsin's stores. Institutional affiliation probably played a major role in this decision. Soiuzzoloto was a part of the People's Commissariat of Heavy Industry (Narkomtiazhprom), whose main goal was mining rather than trade. Torgsin was affiliated with Narkomtorg and better suited for the goal. Soiuzzoloto/Glavzoloto's shops did not disappear after the opening of Torgsin but became localized. They sold goods at mining enterprises in exchange for gold procured above established plan quotas.

43. RGAE, F. 4433, Op. 1, D. 26, L. 162.

44. RGASPI, F. 17, Op. 162, D. 11, L. 44.

45. The SNK resolution of December 10, 1931, is in the State Archive of the Russian Federation (GARF), F. 5446, Op. 12a, D. 698, L. 1.

46. RGAE, F. 4433, Op. 1, D. 8, L. 90.

47. The chervonets was proclaimed equal to 7.74234 grams of pure gold.

48. Nonindustrial enterprises included, for example, the glass-porcelain, match, and stationery factories; bakeries; printing houses; and small textile industries.

49. For detailed analysis of the hierarchy of rations during the first half of the 1930s, see Osokina, *Our Daily Bread*.

50. GARF, F. 5446, Op. 12a, D. 698, L. 8.

51. Torgsin did not observe the prohibition (GARF, F. 5446, Op. 14a, D. 827, LL. 2, 5).

52. The Main Administration for Nonferrous Metals and Gold Processing (Glavtsvetmetzoloto), supervised mining enterprises and was affiliated with Narkomtiazhprom. Soiuzzoloto, discussed earlier, was a part of Glavtsvetmetzoloto.

53. RGAE, F. 4433, Op.1, D. 26, L. 162.

54. RGAE, F. 4433, Op.1, D. 26, L. 161.

55. Kurliand's fate is unknown.

56. For more on cycles in the socio-economic development of the USSR, see Davies, *Crisis and Progress in the Soviet Economy, 1931–1933*; Hessler, *A Social History of Soviet Trade*.

57. According to Goland, between December 1922 and February 1924, as a result of the currency interventions of both Gosbank and Narkomfin, the sale of gold coins to the population exceeded their purchase by 19 million rubles (at nominal value); and including the operations with foreign currency, sales exceeded purchases by about 37.7 million rubles ("Currency Regulation in the NEP Period," 1255).

58. Goland, "Currency Regulation in the NEP Period," 1274.

3. The Torgsin Empire

1. *Vneshniaia torgovlia*, no. 1 (1936): 5; RGAE, F. 4433, Op. 1, D. 21, L. 22; D. 133, LL. 18, 141–43.

2. RGAE, F. 4433, Op. 1, D. 21, LL. 20–22.

3. RGAE, F. 4433, Op. 1, D. 12, L. 239; D. 26, LL. 34–39; D. 66, LL. 29, 110; D. 105, L. 19; State Archive of the Smolensk Region (GASO), F. 1425, Op. 1, D. 16, L. 32.

4. RGAE, F. 4433, Op. 1, D. 12, L. 239; D. 23, L. 122; D. 26, LL. 34–39; D. 66, LL. 29, 110; D. 105, L. 19, and others.

5. *Vneshniaia torgovlia*, no. 1 (1936): 5.

6. GASO, F. 1425, Op. 1, D. 2, L. 15; D. 1, L. 8; RGAE, F. 4433, Op. 1, D. 63.

7. Central State Archive of the Republic of Uzbekistan (TsGA RUz), F. 288, Op. 1, D. 3, L. 53a.

8. TsGA RUz, F. 288, Op. 1, D. 3, L. 53a.

9. TsGA RUz, F. 288, Op. 1, D. 90, LL. 58–59.

10. TsGA RUz, F. 288, Op. 2, D. 3, L. 1.

11. TsGA RUz, F. 288, Op. 1, D. 12, L. 21.

12. TsGA RUz, F. 288, Op. 1, D. 12, L. 43.

13. RGAE, F. 4433, Op. 1, D. 2, LL. 37–38; D. 41, L. 22; D. 51, L. 27; D. 98, L. 59.

14. RGASPI, F. 17, Op. 162, D. 11, L. 44; D. 14, L. 17.

15. Mentioned in RGAE, F. 4433, Op. 1, D. 38, L. 1 verso.

16. RGASPI, F. 17, Op. 162, D. 11, L. 49; D. 12, L. 34, 159; D. 13, LL. 61, 88; D. 14, LL. 63, 69; D. 15, LL. 16, 158–59, 173–74.

17. TsGA RUz, F. 288, Op. 1, D. 76, LL. 18, 19, 93 and verso.

18. TsGA RUz, F. 288, Op. 1, D. 3, L. 16.

19. TsGA RUz, F. 288, Op. 1, D. 3, LL. 1, 8, 16, 19 and verso, 41, 47, 51.

20. RGAE, F. 4433, Op. 1, D. 2, LL. 32–33 verso.

21. GORT - State Department of Retail Trade.

22. GASO, F. 1425, Op. 1, D. 22, L. 54.

4. The Red Directors of Torgsin

1. Not counting G. I. Must (the Russian letter transliterated as "u" is pronounced "oo," so Must should be read as "Moost"—same applies to other Russian words and names containing "u"), who as deputy chair served as Torgsin's interim director in August–November 1934.

2. Shkliar's biography is based on his party documents in RGASPI, F. 17, Op. 100.

3. National Archives and Records Administration (NARA), Record Group (RG) 84, Records of Foreign Service Posts, USSR, Vol. 420, 1934, "Conversation with Mr. X, an Official of a Berlin Bank, Actively Interested in Financing Russian Trade."

4. Central State Archive of the Moscow Region (TsGAMO), F. 3812, Op. 1, D. 1, L. 31.
5. Sovsin'torg—Soviet Export-Import Association for Trade with Western China.

5. Why Did Stalin Need Torgsin?

1. The Russian Empire also had gold deposited abroad (worth more than 140 million rubles); however, this gold has never returned to Russia.

2. The gold tonnage here and elsewhere in this book is estimated based on the world gold price in dollars and the Soviet official exchange rate between the dollar and ruble. A troy ounce (31.103477 g) of gold until 1934 was worth $20.67. The Soviet official exchange rate of the dollar from the beginning of the twentieth century through 1935 was 1.94 rubles. Until 1934, therefore, the world price for a gram of pure gold was the equivalent of 1.29 rubles.

3. Florinsky, ed., *Russian Public Finance during the War*, 438; V. Novitzky, "Russia's Gold Reserve," in *Russian Gold*, 9–11; Smele, "White Gold," 1318.

4. Smele, "White Gold," 1319.

5. For detailed discussions of Russia's gold and spending in the first years of Soviet power, see Vasil'eva and Knyshevskii, *Krasnye konkistadory*; Smele, "White Gold"; Kuznetsov, *Po sledam tsarskogo zolota*; V. I. Novitzky, "Proiskhozhdenie zolotogo zapasa," RGAE, F. 2324, Op. 1, D. 833, LL. 1–20; Florinsky, ed., *Russian Public Finance during the War*; and *Russian Gold*.

6. This included gold from Romania, variously estimated at around 105 million to 118 million rubles, that at the end of 1916 and the beginning of 1917 was sent to the Kremlin for safekeeping. On the Romanian gold, see *Russian Gold*, 14, 28; and Vasil'eva and Knyshevskii, *Krasnye konkistadory*, 90, 152–53. According to the "Report on the Gold Reserve," as of January 1, 1922, the available Romanian gold equaled 105,102,337 rubles 88 kopecks (RGASPI, F. 5, Op. 1, D. 2761, L. 51).

7. Vasil'eva and Knyshevskii, *Krasnye konkistadory*, 92, 152–53, with reference to RGASPI, F. 5, Op. 1, D. 2761, LL. 28, 45; Smele, "White Gold," 1319; Sapogovskaia, "Zoloto v politike Rossii (1917–1921)," 41–42, with reference to RGASPI, F. 5, Op. 1, D. 2761, L. 28; Florinsky, ed., *Russian Public Finance during the War*, 455.

8. The United States, like other countries, forbade the purchase of gold from Soviet Russia. However, the US Senate commission's investigation showed that Soviet Russia sold gold through intermediaries—mainly Sweden, where it was melted and subjected to further purification. New bars then went to the market with Swedish banks' marks. More than 40 percent of Soviet gold sent to Sweden in 1920–1922 went to the United States, and a third to Switzerland, from where it was then sold to other countries (*Russian Gold*, 26–30, 40–56). Sapogovskaia writes that the intensity of the gold outflow abroad was so great that by early 1922 two out of three of the state's largest gold storehouses stood empty ("Zoloto v politike Rossii," 40).

9. With Romanian gold (105.1 million rubles), silver, foreign currency, and platinum, Gokhran's reserve amounted to 251.4 million rubles; unfulfilled obligations to be paid in gold and silver amounted to 107.8 million rubles (RGASPI, F. 5, Op. 1, D. 2761, LL. 21, 53). In addition to Gokhran, the Currency Department of Narkomfin as of March 12, 1922, had gold worth 70 million rubles.

10. As of January 1, 1924, Gosbank's unencumbered gold and foreign currency reserves amounted to 130 million to 140 million rubles, that is slightly more than one hundred tons of pure gold. See Goland, "Currency Regulation in the NEP Period," 1255.

11. For details, see Goland, "Currency Regulation in the NEP Period."

12. GARF, F. 5446, Op. 9a, D. 502, LL. 44–51.

13. The foreign trade deficit for 1927/28 was planned at thirty-five million rubles, and

the foreign currency shortage at eighty million rubles. However, the preliminary results of the first half of the year showed a foreign trade deficit of sixty-eight million rubles, and a foreign exchange deficit of almost sixty-six million rubles. According to Gosbank's estimates, in order to cover the hard-currency shortage, that year the USSR had to sell seventy million rubles worth of precious metals. These estimates turned out to be too low (RGAE, F. 2324, Op. 1, D. 778, LL. 34–37).

14. RGAE, F. 2324, Op. 1, D. 816, L. 306.

15. During the 1927/28 fiscal year, the Soviet government sold precious metals abroad worth more than 100 million rubles, of which 14.5 million was platinum and the rest gold (RGAE, F. 7733, Op. 37, D. 2254, L. 24).

16. RGAE, F. 2324, Op. 1, D. 897, LL. 61–62.

17. On Soviet external trade, see Dohan, "Soviet Foreign Trade in the NEP Economy."

18. It can be assumed that, in contrast to customs export statistics, Soviets had no reason to inflate the figures for industrial imports, because if they had, the trade deficit would have looked even larger.

19. *Bol'shevik*, no. 9–10 (1934): 22.

20. RGAE, F. 2324, Op. 1, D. 790, L. 184 verso.

21. RGAE, F. 2324, Op. 1, D. 778, L. 7.

22. Stalin's interview with the *New York Times* journalist Walter Duranty (*Izvestiia*, January 4, 1934, 2). According to German data, including advances for export and unfulfilled obligations, the total debt of the USSR as of January 1, 1933, amounted to 1.3 billion gold rubles (NARA, RG 84, vol. 420 [1934], Section XIX, "Gold Movements and the Balance of Payments," 145–46).

23. Before Hitler came to power, German leaders, who were interested in collaboration with the USSR in order to circumvent the Versailles treaty bans, acted as guarantors of the Soviet debt. In the event of Soviet bankruptcy, the German banks were entitled to compensation from their government. As a result, it was easier to obtain credit in Germany, and the terms were more favorable to the USSR than those of other countries.

24. RGAE, F. 2324, Op. 1, D. 778, L. 85.

25. RGAE, F. 2324, Op. 1, D. 816, LL. 358–59. According to Iurii Goland, who did not specify his source of information, in 1927/28, the USSR sold even more than that: about 160 tons of gold worth 205 million rubles. Such large sales of gold had not been seen since 1921 (Goland, "Leonid Naumovich Iurovskii"). The discrepancy between my data and Goland's could be because my data include only Gosbank's sales.

26. The Politburo worried that the USSR's bankruptcy in gold would become known to the world and would make obtaining credits more difficult. To create an appearance of prosperity, the Soviet press published inflated data. Invitations were issued to Western journalists and businessmen to visit the state gold vaults. See NARA, RG 84, vol. 424, "Enclosure no. 1 to Dispatch dated September 13, 1934, from American Embassy, Moscow: Memorandum for the Ambassador," 3; NARA, RG 84, vol. 420, "Memorandum 'Conversation with Mr. X, an Official of a Berlin Bank, Actively Interested in Financing Russian Trade,'" 3–4.

27. NARA, RG 84, vol. 104, 1931, "Report no. 58, July 23, 1931, 'Gold Shipments over Riga from Russia to Germany.'"

28. Proceedings of the US embassy in Moscow with reference to "Sowjetwirstschaft und Aussenhandel," no. 11–12 (1934), 43 (NARA, RG 84, vol. 420, 1934, Section XIX, 'Gold Movements and the Balance of Payments,'" 148).

29. Some sources cite a different figure for Russia's 1913 gold production—38.2 tons. This figure, however, is not the total annual production but only the registered gold—the amount that the state received through laboratories, factories, and mints. The best gold production year in prerevolutionary Russia was not 1913 but 1914, when 66.4 tons of pure gold were

produced (Florinsky, ed., *Russian Public Finances during the War*, 439; *Zolotopromyshlennost' SSSR*, 25).

30. During the Civil War, the Ural and Siberian mines frequently changed hands, going from the Reds to the Whites and back again. In retreat, both sides hid equipment, blew up factories, and flooded mines (Sapogovskaia, "Zoloto v politike Rossii," 31–47).

31. Among mining industries subject to nationalization in 1918, gold mining was only in seventh place, behind even the mining of asbestos. Unlike the platinum companies, which were all nationalized, the state first took only the twenty largest gold enterprises. Gold procurement prices were low and did not stimulate production. A number of gold enterprises were dismantled altogether, and their equipment sent to other mining industries. Gold production was not among the so-called militarized industries that enjoyed state patronage. In the first years of Soviet power, the state was mostly preoccupied with the confiscation of existing wealth. Only when the flow of confiscated property dried out did the state begin to think about developing the gold industry (Sapogovskaia, "Zoloto v politike Rossii," 31–47).

32. *On the Oil Front* (Na neftianom fronte) and *On the Gold Front* (Na zolotom fronte) are the titles of Serebrovskii's two books. *On the Gold Front*, published in 1936, was soon withdrawn from circulation due to Serebrovskii's arrest and returned to readers only a few decades later. Serebrovskii believed that Stalin was inspired by the California Gold Rush, which had given life to that region. He writes that Stalin showed considerable knowledge of the literature on the development of the US gold industry. However, Stalin did not take into account the fact that the California Gold Rush was carried out by free people, eager to enrich themselves, whereas Soviet gold mining employed Gulag prisoners.

33. Soiuzzoloto's shareholders were VSNKh, Narkomfin, and Gosbank.

34. The state's support for private prospectors continued until 1937. Mass repression put an end to it, leading to a fall in gold production.

35. In 1928, only one-fifth of the gold mining industry's operations were mechanized (*Za industrializatsiiu*, no. 180 [August 5, 1932]).

36. Some of them left memoirs. See, for example, Littlepage, *In Search of Soviet Gold*.

37. Dal'stroi was founded on November 13, 1931, by an STO decree. Its labor came mainly from prisoners of the Northeast Labor Camp (SVITL), established in April 1, 1932, on orders from the OGPU, soon after Dal'stroi's creation. The number of Dal'stroi prisoners increased from 10,000 in 1932 to more than 163,000 in 1939. By the time of Stalin's death in 1953, Dal'stroi had over 175,000 prisoners. On Dal'stroi, see Gregory and Lazarev, *Economics of Forced Labor*; and Shirokov, *Dal'stroi*.

38. Both Serebrovskii, the founder of the Soviet gold industry, and Dal'stroi's first director, E. P. Berzin, despite their service to the Soviet state, were shot in 1938 during the Great Terror.

39. *Izvestiia*, January 4, 1934. Western experts took this figure at face value and based their subsequent calculations on it, which led to a significant overestimation by Westerners of Soviet gold production. The analysts in the US embassy in Moscow, for example, believed that in 1935 the Soviet Union produced 141.4 tons of pure gold, while the actual gold production that year, including Dal'stroi, constituted approximately 95.4 tons (see notes to table 9).

40. World leaders worried for nothing: Soviet annual gold production reached its three-hundred-ton mark only at the end of the 1970s, although these calculations may have been exaggerated as well. For comparison, South African gold production in that year amounted to 703 tons of gold (Godek, "State of the Russian Gold Industry," 762, 766).

41. A slight discrepancy between table 9 and Stalin's figure can be attributed to underestimation of the gold produced by non-prison labor in 1933 and 1934.

42. Western analysts used Stalin's figure for Soviet 1933 industrial gold production without knowing that it included not only industrially mined gold but also a substantial amount of the household gold bought from the population through Torgsin stores. Even after Torgsin closed and Stalin was no longer alive, the tons of gold bought during the years of famine continued to live on in Western calculations of Soviet gold production that were based on the inflated 1933 data. An epiphany came only when, under Gorbachev, the real data on gold reserves were made public. It appeared to be much less than the world experts expected. Some admitted that Stalin had managed to fool them (Godek, "State of the Russian Gold Industry," 771).

43. NARA, RG 84, vol. 426, "Shipments of Gold and other Precious Metals from Soviet Russia to Berlin through Riga."

44. NARA, Decimal File 861.6341/53, "The Russian Gold Industry; Its Organization and Operations with Particular Reference to Its Output in the Period 1913–1931, and to its Plans for Future Development," 24.

45. NARA, RG 84, vol. 420, 1934, Section XIX, "Gold Movements and the Balance of Payments," 151–52.

46. NARA, RG 84, vol. 420, "Memorandum 'Conversation with Mr. X, an Official of a Berlin Bank, Actively Interested in Financing Russian Trade,'" 4.

47. See, for example, the growth in Dal'stroi's gold production after the closing of Torgsin: 1936—33.4 tons, 1937—51.5 tons, 1938—62.0 tons, 1939—66.3 tons, 1940—80 tons, 1941–75.8 tons (Shirokov, *Dal'stroi*, 103, 130; Nordlander, "Magadan and the Economic History of Dal'stroi," 105).

6. Gold

1. The share of currency issues in Politburo meetings sharply increased. The currency plans that had to be approved by the Politburo became especially detailed.

2. STO decree from August 10, 1932 (GARF, F. 5446, Op. 13a, D. 871).

3. Introduced in March 1932. This reform allowed the state to save hard currency on imported silver (RGASPI, F. 17, Op. 162, D. 11, L. 130; D. 12, L. 148).

4. With the beginning of industrialization, the sporadic art sales that started after the revolution turned into a regular mass campaign. See Semyonova and Iljine, *Selling Russia's Treasures*; Odom and Salmond, *Treasures into Tractors*; and Osokina, *Nebesnaia golubizna angel 'skikh odezhd*.

5. RGAE, F. 4433, Op. 1, D. 132, L. 92.

6. Until 1933, there were no instructions to preserve the integrity of especially valuable objects for future sale to foreigners. Undoubtedly, many artistic masterpieces and valuable historical artifacts were destroyed in Torgsin.

7. The Russian noun *lom* comes from the verb *lomat'*—to break.

8. Wealth here is understood as the material valuables in possession of the upper and middle classes of prerevolutionary society—gold objects such as jewelry, dishware, boxes, cigarette cases, watches, and the like—that could be viewed as indicators of their social status.

9. Scholars define the middle class by income, education, living standards, type of social behavior, life strategies, and even by self-esteem: that is, by the individual's subjective perception of status. Everyone, however, emphasizes material level as one of the defining characteristics of the middle class.

10. *Priemka i otsenka dragotsennykh metallov*.

11. LOGAV, F. 1154, Op. 2, D. 5, L. 130.

12. Torgsin accepted foreign gold coins with no defects at parity, defective coins by

weight (RGAE, F. 4433, Op. 1, D. 8, L. 48; GASO, F. 1425, Op. 1, D. 1, L. 26 verso).

13. The decree of the USSR People's Commissariat of Labor (Narkomtrud) of August 27, 1932—which applied to state employees engaged in operations with gold, foreign currency, and other valuables—imposed fines on the guilty equal to fifteen to twenty times the amount of shortfalls caused by miscalculations (TsGA RUz, F. 289, Op. 1, D. 200, L. 42).

14. With this method an appraiser had to rub a gold object and gold needles of different metal purity firmly against a special black polished stone and then compare the colors of the traces. This expensive way to determine purity was not common in Torgsin.

15. LOGAV, F. 1154, Op. 2, D. 5, L. 12.

16. RGAE, F. 4433, Op. 1, D. 132; TsGAMO, F. 3819, Op. 1, D. 4, L. 19.

17. RGAE, F. 4433, Op. 1, D. 114, L. 38.

18. LOGAV, F. 1154, Op. 2, D. 5, LL. 126–27.

19. RGAE, F. 4433, Op. 1, D. 33, L. 25; D. 41, L. 20.

20. LOGAV, F. 1154, Op. 2, D. 5, L. 12. Such complaints were widespread.

21. In Leningrad, during the summer of 1933, ten Torgsin appraisal centers worked in two shifts (LOGAV, F. 1154, Op. 3, D. 59, L. 261).

22. This may explain why these days it is so hard to find Torgsin booklets. They could remain in people's possession only if there was still money left in them, but people who sacrificed valuables tried to spend everything, to the last kopeck.

23. The state commercial stores existed in the USSR during the rationing system of the first half of the 1930s. In contrast to the state ration distribution centers, purchases in the commercial stores were not, as a rule, limited by norms; however, the prices were several times higher than that of rations.

24. The world gold price was defined by a parity of gold and dollar. In this chapter Torgsin's purchasing gold prices are compared with the fixed parity established by US government acts. In the first years of Torgsin's existence, a troy ounce of gold (31.103477 g) cost $20.67, and from the beginning of 1934—$35.

25. The gold ruble as a conventional unit was introduced in the Russian Empire during the 1897 monetary reform. It was made equal to 0.774235 grams of pure gold. In Soviet Russia, the gold ruble as a conventional accounting unit began to be used in 1921–1922 because hyperinflation made it practically impossible to conduct calculations in regular rubles. From October 1922 on, the gold ruble in Soviet Russia stopped being used as an accounting unit in domestic calculations due to the issuance of new money—the chervonets, but it continued to be used as a conventional unit of Soviet statistics for currency calculations in international dealings, including Torgsin's operations, up to 1936.

26. The Soviet financial organs—at different times, they were Narkomfin, Gos-bank, and special quotation commissions (*kotiroval'nye komissii*)—established an official exchange rate of the gold ruble to the regular ruble. The rate on the black market was several times higher than the official one. During the mass famine of 1933, people could pay up to sixty regular rubles for a Torgsin gold ruble on the black market.

27. On Torgsin operations involving silver and diamonds, see the corresponding chapters.

28. This conclusion is based on the following information. Before 1934, a troy ounce of gold cost $20.67; therefore, one gram of purity cost about 66.5 cents. The official dollar exchange rate in the USSR, until the mid-1930s, amounted to 1.94 rubles. Many Torgsin documents demonstrate that its authorities considered 1.29 rubles to be a ruble equivalent of the world gold price.

29. On January 30, 1934, President Franklin Roosevelt signed into law the Gold Reserve Act, which established a fixed parity of dollar to gold equaling $35 per troy ounce.

30. According to the parity of $35 per troy ounce of gold, a gram of purity cost about

$1.125. It means that under the exchange rate of 1.94 rubles per dollar a gram of purity should cost 2.18 rubles.

31. The 1930s purchasing capacity of the Soviet ruble is extremely difficult to define. During the rationing system of the first half of the 1930s, prices in the USSR depended on a kind of trade. In the state ration distribution centers—where prices were state sponsored and, therefore, the lowest in the country—the Soviet ruble's purchasing capacity was relatively high. On the peasant and black markets astronomic prices, especially during the mass famine, meant that the purchasing capacity of the Soviet ruble was minimal. What makes the calculations of the Soviet ruble's purchasing capacity even more complicated is that ration and market prices substantially varied among regions in the 1930s.

32. "Silver for Shoes," *Time*, December 26, 1932; "Paradise Money," *Time*, November 25, 1935.

33. RGAE, F. 4433, Op. 1, D. 133, LL. 141–43.

34. RGAE, F. 4433, Op. 1, D. 175, L. 130.

35. GASO, F. 1425, Op. 1, D. 21, L. 7; RGAE, F. 4433, Op. 1, D. 132, L. 121; D. 140, L. 76. Documents of the Central Asian Torgsin allow us to say that the ratio between silver and gold can reflect not only social position but also the ethnicity of the valuables' owners. The source of the scrap gold was mainly the "European population," while household silver came mostly from the Kyrgyz nomads (TsGA RUz, F. 288, Op. 1, D. 40, L. 335).

36. Leningrad's share of the gold procured by the Northwestern office, in all the years of its work, fluctuated around 90 percent. In contract, Torgsin's Western office, which started in Smolensk, developed almost exclusively in rural areas.

37. Regional statistics available for the first half of 1934 show that in the Gor'kii, Western, Central Black Earth, Khar'kov, Dnepropetrovsk, Belorussian, and Tajik offices of Torgsin, the population sold more coins than scrap. The Bashkir, Turkmen, Kyrgyz, and Armenian offices of Torgsin procured about as many coins as scrap. The majority in these territories were predominantly agrarian. The industrial cities of Khar'kov and Dnepropetrovsk were the exception; however, they attracted masses of peasants from neighboring rural areas (RGAE, F. 4433, Op. 1, D. 112, L. 107).

38. The Ukrainian offices of Khar'kov, Kiev, Dnepropetrovsk, Odessa, Mariupol', and Vinnitsa, in nine months of 1932, purchased gold for 3.5 million rubles, including scrap for 2.3 million and coins for 1.2 million rubles (RGAE, F. 4433, Op. 1, D. 66).

39. RGAE, F. 4433, Op. 1, D. 66, L. 98.

40. RGAE, F. 4433, Op. 1, D. 134, LL. 134, 146.

41. A sharp difference between the amount of gold purchased by Torgsin in 1932 and 1933 reflects the fact that in 1932 Torgsin's provincial network had just begun to develop.

42. In terms of tonnage, however, gold gave up its leadership to less expensive silver.

43. In 1933, scrap constituted 204 percent of the 1932 amount and coins 247 percent.

44. I. Orbelov, the author of the analytical report prepared in February 1934, wrote: "It is generally recognized that the countryside is the main source of the influx of gold coins. Obviously, in 1933, Torgsin began to draw peasants into its operations at a more rapid rate." RGAE, F. 4433, Op. 1, D. 132, LL. 113, 121.

45. Astaf'ev, "*Poslednii poklon*," 130. M. N. Azovskii, a vice chairman of Torgsin's Board echoed Astaf'ev (June 1933): "Some speakers underlined that *chekan* [tsarist coins—E.O.] began to arrive. . . . In fact, comrades, this is remarkable. At that moment, the peasant went to Torgsin, the one who had not heard about Torgsin before, the one who had not yet been served by us" (GASO, F. 1425, Op. 1, D. 21, L. 7).

46. In Ukraine, coins accounted for 35 percent in 1932 (based on the first three quarters), while in 1933 they made up 44 percent (RGAE, F. 4433, Op. 1, D. 114, L. 61; D. 66).

47. In 1933, Torgsin's Moscow stores bought gold worth 8.7 million rubles (about 6.7 tons

of pure gold), 10.9 million including the Moscow region. Scrap purchases brought in 5.7 million from the city of Moscow, and coins almost 3 million rubles, while in the Moscow region the figures were 1.6 and 0.6 million rubles, respectively (TsGAMO, F. 3812, Op. 1, D. 5, L. 56).

48. The Russian Federation and Ukraine were leaders in 1934 among the Soviet republics in the purchase of gold. For regional data, see RGAE, F. 4433, Op. 1, D. 112, L. 107.

49. For more details, see Osokina, *Our Daily Bread*.

50. RGAE, F. 4433, Op. 1, D. 133, L. 103.

51. Torgsin's five-year plan for 1933–1937 was adopted in April 1932 at the beginning of its operations with gold scrap (RGAE, F. 4433, Op. 1, D. 21, LL. 20–22).

52. Novitzky, *Proiskhozhdenie zolotogo zapasa*, 17; *Nashe denezhnoe obrashchenie*, 72; Florinsky, ed., *Russian Public Finance during the War*, 438.

53. Novitzky, *Proiskhozhdenie zolotogo zapasa*, 17.

54. RGAE, F. 4433, Op. 1, D. 21, L. 22. People's Commissar of Finance G. Ia. Sokol'nikov believed that, by the beginning of the 1920s, the population kept tsarist gold coins worth about 200 million rubles (*Novaia finansovaia politika*, 63).

55. In 1930, the OGPU turned over to the state tsarist gold coins and ingots worth 3.9 million rubles. As of May 1, 1932, the OGPU cash boxes contained gold worth 1.6 million rubles (Mozokhin, *VChK—OGPU*, 223–24). These figures prove that it was practically impossible for the OGPU to collect fifty-five million rubles' worth of gold coins.

56. Most likely, Soviet authorities underestimated the amount of gold coins smuggled out of Russia during the Civil War and throughout the 1920s.

57. RGAE, F. 4433, Op. 1, D. 21, LL. 20–22.

58. For demographic data, see *Naselenie Rossii v XX veke*, 1:345–55.

59. In the mid-1930s, the Soviet official exchange rate between the ruble and the dollar changed. In November 1935, Torgsin's last chairman, Levenson, equaled 1 dollar to 5 rubles 75 kopecks (RGAE, F. 4433, Op. 1, D. 138, L. 66). The new gold purchasing price of 6.50 rubles per gram of purity, therefore, equaled about $1.13. That approximately corresponded to the price of one gram of pure gold according to the US Gold Reserve Act adopted at the beginning of 1934. Thus the new Soviet purchasing price for gold was a new Soviet official ruble equivalent of the world gold price.

7. The Red Directors of Torgsin

1. This chapter is based on Stashevskii's party documents (RGASPI, F. 17, Op. 100; GARF, F. 3316, Op. 25, D. 264). On his intelligence activity, the major available source is Krivitsky, *In Stalin's Secret Service*. I thank Nataliia Levitina, whose grandfather Emanuil Margolis was Stashevskii's nephew, for information about her family.

2. Krivitsky, *In Stalin's Secret Service*, 92.

3. Russian publications give a different spelling of Stashevskii's real last name—Girshfel ′d; however, it is not supported by the family memoirs. Stashevskii also used the pseudonyms Verkhovskii and Stepanov.

4. Of Stashevskii's seven sisters, four became revolutionaries: Edda Tenenbaum, Lili Leder, Elena (Anna) Dobranitskaia, and Paula (Polina) Margolis. Edda was a friend of Rosa Luxemburg and Clara Zetkin. All the sisters and their husbands knew Feliks Dzerzhinsky from prerevolutionary times in Poland and in 1905 helped release him from prison on bail, for the huge amount of six hundred rubles. For the Hirschfel'd family tree, see Lederowie, *Czerwona nić*. The book was written by the children of Stashevskii's sister, Lili.

5. Lodz was one of the major cities in the Kingdom of Poland, which was a part of the Russian Empire at that time. His connection with Poland, as this chapter shows, played a

fatal role for Stashevskii during the Great Terror.

6. According to his nephew, Emanuil Margolis, in London Stashevskii communicated with Maksim Litvinov, the future people's commissar of foreign affairs of the USSR.

7. In those years, the army intelligence (Razvedupr RKKA) and political police intelligence (INO OGPU) worked in close contact. It was no accident that Stashevskii, who worked for army intelligence, was also decorated with an "Honorary Chekist" pin.

8. The Treaty of Rapallo between Soviet Russia and Germany was signed in 1922. It called for the establishment of diplomatic relations and the development of economic and military cooperation. The principle of the most favored nation formed the basis of the treaty.

9. On the Berlin center, see Kolpakidi and Prokhorov, *Imperiia GRU*, 1:142–45.

10. Kolpakidi and Prokhorov, *Imperiia GRU*, 1:109–10.

11. Val'ter Germanovich Krivitsky (real name—Samuil Gershevich Ginzberg, 1899–1941) worked first for army intelligence (from 1921) and after 1931 for OGPU/NKVD intelligence. During Stalin's Great Terror, Krivitsky received political asylum in the United States. He died in 1941, in the United States, under mysterious circumstances. See Kolpakidi and Prokhorov, *Imperiia GRU*, 2:366–367; and Dienko, *Razvedka i kontrrazvedka v litsakh*, 257.

12. Krivitsky, *In Stalin's Secret Service*, 84.

13. GARF, F. 3316, Op. 25, D. 264, L. 51.

14. Tsarist Russia's exports also almost exclusively consisted of raw fur.

15. *Bol'shevik*, no. 9–10 (1934): 31–32.

16. GARF, F. 3316, Op. 25, D. 264, L. 29.

17. RGAE, F. 4433, Op.1, D. 51, L. 7. According to Emanuil Margolis, it was Stalin who presented the order to Stashevskii.

18. RGAE, F. 4433, D. 51, L. 7.

19. RGAE, F. 4433, D. 93, L. 12; D. 113, L. 5; D. 114, L. 38; D. 132, L. 123. A family story was preserved about that time, according to which Stashevskii's wife, Regina, one day came home and said that she saw excellent sausages in one of the torgsins. She asked her husband whether it was possible to allocate a small monthly amount in Torgsin money to their family. Stashevskii, according to the story, took his wife's hand, touched her wedding ring, and said: "It's simple. Exchange the ring and buy a bunch of sausages. I will eat them gladly myself" (Lederowie, *Czerwona nić*, 222).

20. Ian Karlovich (Pavel Ivanovich) Berzin (real name—Peteris Ianovich Kiuzis, 1889–1938) was a high-ranking Soviet military intelligence officer and, in 1936–1937, the chief military adviser to the Republican army in Spain. Arrested on November 27, 1937, on charges of espionage, he was shot on July 29, 1938, and rehabilitated posthumously. See Gorchakov, *Ian Berzin—komandarm GRU*.

21. Krivitsky, *In Stalin's Secret Service*, 83.

22. On the operation, see Viñas, *Oro español en la Guerra Civil*; Viñas, *Oro de Moscu*; Howson, Arms for Spain; Rybalkin, *Operatsiia "X"*; and Payne, *Spanish Civil War, the Soviet Union, and Communism*. Spanish filmmakers made a documentary, *Moscow Gold*, that was shown on Catalonian TV on February 27, 1994.

23. Of these 460 tons was pure gold (Payne, *Spanish Civil War*, 150).

24. Krivitsky, *In Stalin's Secret Service*, 87; Costello and Tsarev, *Deadly Illusions*, 258.

25. Payne, *Spanish Civil War*, 140–41; Sarin and Dvoretsky, *Alien Wars*, 2.

26. The recount made in Moscow in December 1936–January 1937 revealed sixteen different types of coins, including Russian imperial coins. The gold coins constituted over 509 tons of Spanish gold; the rest were in ingots.

27. Álvarez del Vayo, *Last Optimist*, 280, 284. Del Vayo writes that the decision to deposit the gold into USSR's Gosbank was made with the consent of the entire Republican

leadership.

28. On the manipulation with prices and currency exchange rates as well as other facts of using Spanish gold in the interests of the Soviet Union, see Howson, *Arms for Spain*; Radosh, Habeck, and Sevost'ianov, *Spain Betrayed*, 424, 429–30, 524 n. 3; and Payne, *Spanish Civil War*.

29. For evidence, see Gazur, *Alexander Orlov*, 96–97; and Rybalkin, *Operatsiia "X,"* 93.

30. The most thorough calculations of the spending of the Spanish gold were made in the late 1970s by the Spanish scholar Angel Viñas. According to him, all the gold that was sent to the Soviet Union went on to help Republican Spain (*Oro de Moscu*; *Oro espanol en la Guerra Civil*).

31. This constituted more than 70 percent of the Bank of Spain's gold reserves. To refill the empty vaults, the Republican government gave all citizens and organizations a week to surrender to the state bank all gold and other currency valuables in their possession (Rybalkin, *Operatsiia "X,"* 95).

32. Krivitsky, *In Stalin's Secret Service*, 97–98.

33. Krivitsky, *In Stalin's Secret Service*, 87.

34. Beevor, *Guerra Civil Española*, 325–27.

35. Krivitsky, *In Stalin's Secret Service*, 87.

36. Aceña, *Oro de Moscu y el oro de Berlin*, 161.

37. Beevor, *Guerra Civil Española*, 232–33.

38. Álvarez del Vayo, *Last Optimist*, 291.

39. Payne, *Spanish Civil War*, 149.

40. Aceña, *Oro de Moscu y el oro de Berlin*, 94–95. Krivitsky adds that Negrín had a Russian wife (*In Stalin's Secret Service*, 88).

41. RGASPI, F. 17, Op. 162, D. 20, L. 110, § 132.

42. Carlos de Baraibar y Espondaburu (Rybalkin, *Operatsiia "X,"* 94).

43. Aceña, *Oro de Moscu y el oro de Berlin*, 96, 104.

44. Personal files of the repressed are available only to their families or with the permission of their families.

45. In the course of the 1937–1938 repression, all the major participants in Operation X perished, including Ian Berzin, as did the first Soviet ambassador to Spain, M. I. Rozenberg, and those who signed the act of acceptance of the gold in Moscow, Commissar of Finance G. F. Grin'ko and Deputy Commissar of Foreign Affairs N. N. Krestinskii.

46. Krivitsky was summoned to Moscow in March 1937, remained there until May 22, and then left for abroad. When another recall came from Moscow the next summer, he, unlike Stashevskii, decided not to return to the USSR, thereby extending his life by almost four years.

47. Krivitsky, *In Stalin's Secret Service*, 92–93.

48. Regina Stashevskaia (1894–1967) was French-born and, according to Emanuil Margolis, worked as an interpreter.

49. Krivitsky, *In Stalin's Secret Service*, 98–99.

50. Marylia Kraevskaia was the wife of Anton Pavlovich (Vladislav) Kraevskii (1884–1937), a Polish communist who in the 1930s worked in the Comintern. Marylia taught Polish and German at the Frunze Military Academy. Her husband was arrested in May 1937 and shot in September. Marylia was arrested in July 1937 and remained in the Gulag until 1943 (Zhavoronkov and Paryiskii, "Marusia protiv NKVD," 162–80).

51. Kraevskaia, "1937 god." Thanks to Inna Davidovich, a journalist from Israel, who referred me to this publication. Regina Stashevskaia learned about the death of her only child while still in the Gulag. A newcomer let the secret slip, not knowing about the "conspiracy of silence." For several days, Regina was unconscious and "literally howled" with grief (Lederowie, *Czerwona nić*, 251).

52. Being officially a Soviet trade attaché, Stashevskii may have been associated with the trade exhibition in Paris, but Krivitsky, due to his work in intelligence, most likely represents a more accurate source of information about Stashevskii's appointments.

53. As a result of the "Polish operation," from August 1937 to November 15, 1938, the NKVD arrested 139,835 people, of whom 111,091 were shot (http://www.memo.ru/history/POLAcy/00485ART.htm).

54. Khaustov, "Iz predystorii massovykh repressii protiv poliakov."

55. Stashevskii is no. 84 on Stalin's "shooting list," signed by the head of the Eighth Department of Main Administration of State Security (GUGB) NKVD Senior Major Tsesarskii (http://stalin.memo.ru/spiski/pg02229.htm). Stashevskii is buried in a collective grave at the Donskoi Cemetery.

56. The 1956 KPK certificate states: "It is now established that Stashevskii was convicted groundlessly. His confession cannot be taken into account, because it is contradicted by the testimonies of other people. Testimonies of witnesses are vague, and besides Baranovskii [a typo in the document, should be Baranskii—E.O.] and others at the trial renounced the testimonies given by them during investigation as fictional."

57. In addition to Artur Stashevskii and his daughter Lolotte (1918–1937), during the Great Terror these members of the Hirschfel'd family perished: Stashevskii's sister Anna (1887–1938), her son Kazimir Dobranitskii (1905–1937), and the husbands of his sisters Edda and Lili, Ian Tenenbaum (1881–1938) and Vladislav Leder (Feinstein, 1880–1938).

8. Silver

1. Torgsin from its start accepted foreign currency in cash and then in money transfers. The reference to "other valuables" in this chapter implies precious metals, other than gold, and gemstones.

2. A report from Central Asia stated that permission to accept silver led to a sharp decrease in gold deliveries to Torgsin (TsGA RUz, F. 288, Op. 1, D. 10, L. 37). For examples of deliberate obstruction of the silver operation by the hard-currency authorities, see TsGA RUz, F. 288, Op. 2, D. 3, L. 91.

3. RGASPI, F. 17, Op. 162, D. 14, L. 17.

4. For evidence of such tactics, see TsGA RUz, F. 288, Op. 1, D. 41, L. 49.

5. RGAE, F. 4433, Op. 1, D. 12, L. 188.

6. RGAE, F. 4433, Op. 1, D. 132, L. 92.

7. An article by a "people's correspondent" in March 1934 reported one such case in a Torgsin store in the town of Dubrovka, in the Western region (GASO, F. 1424, Op. 1, D. 9, LL. 136–37 verso).

8. The GPU agent came to the store anyway and detained the customer, startling the public (RGAE, F. 4433, Op. 1, D. 148, L. 101). For a similar case, see GASO, F. 1424, Op. 1, D. 9, LL. 136–37 verso).

9. Piatakov wrote to Stalin that, from the end of 1928 to July 1930 alone, 1.556 billion regular rubles had been issued into circulation, while for the entire five-year period (1928–1932) the plan called for only 1.250 billion (RGASPI, F. 85, Op. 27, D. 397, LL. 2–7). At the same time, repression against private traders led to a decrease in their trade, and as a result prices and inflation rose.

10. Mozokhin, *VChK—OGPU*, 214. The silver crisis was costly for the state because Soviet coins were minted from imported silver.

11. On the recommendation of a Politburo committee, in July 1930, the SNK of the RSFSR instructed the OGPU to start mass requisitions of silver coins from the population (Mozokhin, *VChK—OGPU*, 214).

12. On executions, see RGASPI, F. 17, Op. 162, D. 9, LL. 39–40; and Mozokhin, *VChK—OGPU*, 215–16.

13. Mozokhin, *VChK—OGPU*, 216.

14. Mozokhin, *VChK—OGPU*, 215–16.

15. RGAE, F. 4433, Op. 1, D. 78, L. 40.

16. RGAE, F. 4433, Op. 1, D. 77, L. 45; D. 92, L. 153.

17. RGAE, F. 4433, Op. 1, D. 148, L. 51.

18. RGAE, F. 4433, Op. 1, D. 148, L. 51.

19. TsGAMO, F. 3812, Op. 1, D. 5, L. 69.

20. RGAE, F. 4433, Op. 1, D. 132, L. 176.

21. RGAE, F. 4433, Op. 1, D. 153, L. 28.

22. *Priemka i otsenka dragotsennykh metallov*, 28–30.

23. RGAE, F. 4433, Op. 1, D. 24, LL. 81–82; *Priemka i otsenka dragotsennykh metallov*.

24. The Torgsin Board required that its local offices report twice a month on the preservation of antique silver (TsGA RUz, F. 289, Op. 1, D. 65, L. 142a).

25. RGAE, F. 4433, Op. 1, D. 129, L. 1.

26. RGAE, F. 4433, Op. 1, D. 78, L. 144.

27. RGAE, F. 4433, Op. 1, D. 101, L. 46 verso.

28. A tsarist ruble contained eighteen grams of pure silver, so Torgsin's purchasing price at the moment was about 12.78 rubles per kilogram of purity (RGAE, F. 4433, Op. 1, D. 66, L. 177). For the tsarist half-ruble Torgsin paid owners 11.5 kopecks (RGAE, F. 4433, Op. 1, D. 92, L. 2.). Torgsin's purchasing prices for silver coins of smaller denomination, at the beginning of 1933, were as follows: for a five-kopeck silver coin people received half a Torgsin kopeck (0.57), for a ten-kopeck coin—1.15 Torgsin kopecks, for a fifteen-kopeck coin—1.7 Torgsin kopecks, and for a twenty-kopeck silver coin—2.3 Torgsin kopecks (GASO, F. 1425, Op. 1, D. 1, L. 34).

29. RGAE, F. 4433, Op. 1, D. 66, L. 177 and verso.

30. RGAE, F. 4433, Op. 1, D. 92, L. 2.

31. That is, 12.5 rubles per kilogram of eighty-fourth fineness (*proba*) silver. The eighty-fourth fineness of silver in the old Russian system corresponds to the 875th fineness in the new metric system. It means that in 1,000 grams of ligature there are 875 grams of pure silver and 125 grams of other metals. Also see explanations in ch.2, note 2.

32. RGAE, F. 4433, Op. 1, D. 92, L. 2; D. 66, L. 177.

33. That is, 14 rubles per kilogram of eighty-fourth fineness silver (RGAE, F. 4433, Op. 1, D. 77, L. 130; D. 78, LL. 143–44.). According to other documents, the price per kilogram of pure silver after the increase was 16.88 rubles (RGAE, F. 4433, Op. 1, D. 101, LL. 44, 98).

34. RGAE, F. 4433, Op. 1, D. 78, L. 143.

35. Promexport was a Soviet exporter of metals to the world market.

36. RGAE, F. 4433, Op. 1, D. 78, LL. 143–44. The seventy-sixth fineness means that in 1,000 grams of ligature there are about 790 grams of pure silver and the rest is other metals.

37. RGAE, F. 4433, Op. 1, D. 101, L. 46 verso; *Vneshniaia torgovlia*, no. 8 (1934): 18–21.

38. RGAE, F. 4433, Op. 1, D. 101, LL. 44, 98.

39. GASO, F. 1425, Op. 1, D. 21, L. 13.

40. RGAE, F. 4433, Op. 1, D. 78, L. 144.

41. RGAE, F. 4433, Op. 1, D. 132, L. 121.

42. RGAE, F. 4433, Op. 1, D. 78, L. 144.

43. RGAE, F. 4433, Op. 1, D. 113, L. 5.

44. According to the 1933 plan, Torgsin had to procure silver in the amount of forty million rubles: that is, based on the purchasing price, more than three thousand tons of eighty-fourth fineness silver, or twenty-seven hundred tons of pure silver (RGAE, F. 4433, Op.

1, D. 66, L. 190).

45. TsGAMO, F. 3812, Op. 1, D. 5, L. 56; LOGAV, F. 1154, Op. 3, D. 13, L. 38.

46. In 1933–1934, there were seven regional Torgsin offices in Ukraine: Khar'kov, Kiev, Chernigov, Vinnitsa, Dnepropetrovsk, Donetsk, and Odessa.

47. These were preliminary data (RGAE, F. 4433, Op. 1, D. 114, L. 61).

48. RGAE, F. 4433, Op. 1, D. 112, L. 107.

49. RGAE, F. 4433, Op. 1, D. 101, L. 98.

50. These sales cover the period up to November 1, 1934. Gosbank still had remaining more than half of the silver bought by Torgsin in 1934, worth 7.6 million rubles, on which the surplus had not yet been calculated. Thus the total surplus received from the silver procured by Torgsin in 1934 may have been at least double the amount of 5.3 million rubles (RGAE, F. 4433, Op. 1, D. 101, L. 98).

51. RGAE, F. 4433, Op. 1, D. 132, LL. 122–23; D. 133, L. 103. In all Torgsin's regional offices purchase of domestic silver considerably exceeded that of silver coins (RGAE, F. 4433, Op. 1, D. 112, L. 107).

52. RGAE, F. 4433, Op. 1, D. 101, L. 44 verso.

53. After Torgsin closed, Gosbank continued to buy silver from the population, paying one hundred regular rubles per kilogram of purity. Converted into Torgsin money, based on the exchange rate of 6.6 regular rubles per Torgsin gold ruble, this amounted to 15.15 gold rubles, which is less than Torgsin paid.

9. Diamonds and Platinum

1. RGAE, F. 4433, Op. 1, D. 78, L. 184.

2. RGAE, F. 4433, Op. 1, D. 59, L. 142.

3. RGAE, F. 4433, Op. 1, D. 78, L. 260.

4. RGAE, F. 4433, Op. 1, D. 78, L. 178.

5. RGAE, F. 4433, Op. 1, D. 167, L. 75.

6. RGAE, F. 4433, Op. 1, D. 131, L. 184.

7. RGAE, F. 4433, Op. 1, D. 131, LL. 147–48.

8. RGAE, F. 4433, Op. 1, D. 127, LL. 35–38.

9. The central storehouse was located on Petrovka Street.

10. Technical diamonds purchased by Torgsin were allocated for the needs of Soviet industries.

11. The price paid by the purchasing points of the gold and platinum industry was 3.28–3.52 regular rubles per gram (RGAE, F. 4433, Op. 1, D. 19, L. 159).

12. RGAE, F. 4433, Op. 1, D. 78, L. 243; GARF, F. 5446, Op. 15a, D.1229, L. 2.

13. LOGAV, F. 1154, Op. 3, D. 15, L. 64 and verso.

14. Monthly salaries ranged from 250 to 450 rubles, depending on qualifications and the size of Torgsin's appraisal center (TsGA RUz, F. 288, Op. 1, D. 40, L. 67 verso).

15. LOGAV, F. 1154, Op. 4, D. 115, LL. 20, 22, 23.

16. GARF, F. 5446, Op. 15a, D. 1229, L. 2.

17. LOGAV, F. 1154, Op. 4, D. 115, L. 23.

18. LOGAV, F. 1154, Op. 4, D. 115, LL. 20, 22, 25.

19. RGAE, F. 4433, Op. 1, D. 59, L. 142.

20. RGAE, F. 4433, Op. 1, D. 131, L. 184.

21. RGAE, F. 4433, Op. 1, D. 131, L. 147. For price lists, see TsGA RUz, F. 288, Op. 1, D. 40, LL. 68–71. In the spring of 1934, prices ranged from two rubles for heavily flawed diamonds to four hundred rubles for large clear stones of three to four carats. The melee diamonds that people brought more often were appraised—depending on weight, shape, and color—from

five to thirty-five rubles (apiece).

22. RGAE, F. 4433, Op. 1, D. 113, L. 5.

23. In February 1934, according to Torgsin's deputy chairman Must, large diamonds constituted only 11 percent of Torgsin's diamond operations, while the smallest melee stones made up 44 percent (RGAE, F. 4433, Op. 1, D. 131, L. 147).

24. See, for example, *Prodannye sokrovishcha Rossii*, 62.

25. RGAE, F. 4433, Op. 1, D. 146, L. 34 and verso.

26. In fact, in 1920–1921, several trials took place at which a group of Gokhran employees were accused of grand larceny. The working conditions at Gokhran facilitated embezzlement: inventories often did not exist, valuables were issued in response to phone calls and via informal paper notes. From February 1920 through June 15, 1921, various Soviet institutions received from Gokhran diamonds weighing 96.8 million carats. Although valuables were issued for institutional needs, their recipients were specific high-ranking officials. In March 1921, for example, Gokhran issued diamonds weighing 11.5 million carats for the needs of Narkomvneshtorg to the wife of L. B. Krasin, then a Soviet political and trade representative in Great Britain. To prove her credentials, Mrs. Krasin presented just a paper note that did not even bear an official seal. For more on embezzlement in Gokhran, see Mosiakin, "Gokhran," 457; Sapogovskaia, "Zoloto v politike Rossii," 31–47; and Vasil′eva and Knyshevskii, *Krasnye konkistadory*, 119–23.

27. Only fragmented regional data are available: in Leningrad, during the last months of 1933, Torgsin bought diamonds worth 123,500 rubles; in Ukraine, in August–December 1933, it purchased (preliminary calculations) diamonds for 18,000 rubles (LOGAV, F. 1154, Op. 10, D. 1, L. 3; RGAE, F. 4433, Op. 1, D. 105, L. 44; D. 114, LL. 38, 61).

28. The following Torgsin offices purchased diamonds in 1934: Northern, Leningrad, Western, Moscow, Ivanovo, Gor′kii, Central Black Earth, Bashkir, Tatar, Middle and Lower Volga, Crimea, North Caucasus, Kazakh, Kyrgyz, West and East Siberian, Far East, and Iakutiia (RGAE, F. 4433, Op. 1, D. 105, L. 44).

29. In Ukraine, the Khar′kov, Kiev, Donetsk, Odessa, and Dnepropetrovsk offices of Torgsin accepted diamonds.

30. LOGAV, F. 1154, Op. 10, D. 1, L. 3.

31. RGAE, F. 4433, Op. 1, D. 112, L. 107.

32. RGAE, F. 4433, Op. 1, D. 140, L. 77.

33. RGAE, F. 4433, Op. 1, D. 154, L. 73.

34. Calculated based on Torgsin's purchasing price for platinum, seventy-two kopecks per gram of purity, found in the Leningrad documents.

10. Send Dollars to Torgsin!

1. RGAE, F. 4433, Op. 1, D. 21, L. 20.

2. RGAE, F. 4433, Op. 1, D. 20, L. 45.

3. RGAE, F. 4433, Op. 1, D. 8, L. 81–91.

4. RGAE, F. 4433, Op. 1, D. 8, L. 90.

5. RGAE, F. 4433, Op. 1, D. 8, LL. 63, 66.

6. GARF, F. 5446, Op. 13a, D. 350, L. 33.

7. RGAE, F. 4433, Op. 1, D. 12, L. 167.

8. RGAE, F. 4433, Op. 1, D. 144, L. 249; D. 145, L. 425. For the agreements, see RGAE, F. 4433, Op. 1, DD. 108, 143, 144.

9. RGAE, F. 4433, Op. 1, D. 27, L. 167.

10. RGAE, F. 4433, Op. 1, D. 10, LL. 39–41; D. 27.

11. RGAE, F. 4433, Op. 1, D. 10, L. 153.

12. RGAE, F. 4433, Op. 1, D. 10, L. 181.

13. RGAE, F. 4433, Op. 1, D. 13, L. 9; D. 110, L. 177; D. 144, L. 249.

14. Am-Derutra was a Soviet-American transport agency, also engaged in money transfers and parcel operations. Union Tours was a Soviet-American travel agency engaged in selling tours to the USSR and supplying visas, hotel booking, currency exchange, and money transfers.

15. RGAE, F. 4433, Op. 1, D. 110, LL. 174–76.

16. Among them were Amalgabank, the Bank of America, the Union Savings Bank, the Citizens National Bank, the First National Bank, and others. For the list of banks and firms that had contracts with Torgsin, see RGAE, F. 4433, Op. 1, D. 110, L. 178.

17. RGAE, F. 4433, Op. 1, D. 91, L. 101. Amtorg (The Soviet American Trade Corporation) was the first trade representation of the USSR in the United States.

18. RGAE, F. 4433, Op. 1, D. 110, LL. 176, 177; D. 145, L. 425.

19. One such price list in English is preserved in the Hoover Institution Archives at Stanford.

20. RGAE, F. 4433, Op. 1, D. 10, L. 82.

21. RGAE, F. 4433, Op. 1, D. 10, L. 196.

22. RGAE, F. 4433, Op. 1, D. 10, LL. 74–77, 183. According to reports from Riga, duties and other charges imposed on parcels ranged from 90 to 120 percent of the cost of the items sent.

23. For a list of the unlicensed items, see *Izvestiia*, December 1, 1931, 4.

24. RGAE, F. 4433, Op. 1, D. 10, L. 171.

25. For the terms and prices for the standard parcels sent through foreign firms, see RGAE, F. 4433, Op. 1, D. 10, LL. 39–41. Flour, rice, groats, sugar, and soap are the main products listed.

26. SNK decree of May 14, 1931. Compare with the following duties on parcels: 200 percent on spices, 250 percent on perfume, 150 percent on silk fabric, 100 percent on dresses, 75 percent on bed linens, and 60 percent on sporting goods (RGAE, F. 4433, Op. 1, D. 10, LL. 5 and verso, 160, 171.)

27. RGAE, F. 4433, Op. 1, D. 10, LL. 61, 132, 184.

28. RGAE, F. 4433, Op. 1, D. 10, LL. 41, 141, 203, D. 27, L. 13, 167.

29. Boris I. Nikolaevsky Collection, Hoover Institution Archives, box 284.

30. RGAE, F. 4433, Op. 1, D. 10, L. 203 and verso.

31. Narkomvneshtorg planned to stop the imported parcels of goods, including products that were not produced in the USSR. Torgsin had to buy such goods abroad and import them duty-free. In the absence of domestic competition, Torgsin could set monopolistically high prices on imported goods to be sold in its stores in the USSR (RGAE, F. 4433, Op. 1, D. 10, L. 166 and verso).

32. RGAE, F. 4433, Op. 1, D. 10, L. 86.

33. RGAE, F. 4433, Op. 1, D. 10, L. 196.

34. Imported parcels of goods ordered by Soviet organizations had to be taxed at a minimal rate.

35. RGAE, F. 4433, Op. 1, D. 10, LL. 140–41.

36. Anatolii Vasil'evich Lunacharsky (1875–1933) was the first Soviet people's commissar of enlightenment.

37. According to the author, the price ratio (per ton in German marks) abroad and in the USSR was 258 vs. 750 on groats, 206 vs. 750 on sugar, and 2,000 vs. 3,200 on butter (RGAE, F. 4433, Op. 1, D. 10, LL. 62–66).

38. RGAE, F. 4433, Op. 1, D. 27, L. 145.

39. RGAE, F. 4433, Op. 1, D. 10, L. 148.

40. RGAE, F. 4433, Op. 1, D. 91, L. 101.

41. LOGAV, F. 1154, Op. 2, D. 11, L. 302.

42. See, for example, the admission by Torgsin's representative in the United States (RGAE, F. 4433, Op. 1, D. 91, L. 101).

43. RGAE, F. 4433, Op. 1, D. 10, L. 188; D. 69, L. 162.

44. Accounting in rubles had flaws because of the fluctuations in exchange rates. We can ignore these inaccuracies, however, so long as we are dealing with a short period of time in which the fluctuations were neither abrupt nor significant.

45. RGAE, F. 4433, Op. 1, D. 21, L. 20. In 1930, the average money transfer from abroad to the USSR was seventy rubles.

46. RGAE, F. 4433, Op. 1, D. 12, L. 167.

47. The first quarter of 1933 brought in 3.2 million, the second 4.4 million, and the third 3.3 million rubles (RGAE, F. 4433, Op. 1, D. 91, L. 88; D. 93, L. 12).

48. RGAE, F. 4433, Op. 1, D. 91, L. 88.

49. RGAE, F. 4433, Op. 1, D. 114, L. 61.

50. This was less than 10 percent of the total amount of valuables procured by the Moscow office in 1933 (TsGAMO, F. 3812, Op. 1, D. 5, L. 56).

51. Torgsin's blanks for money transfer orders used in the United States were trilingual, with the text printed simultaneously in English, Russian, and Yiddish.

52. In 1933, more than a third of the 4.8 million or so émigrés from the former Russian Empire in the United States lived in New York (RGAE, F. 4433, Op. 1, D. 91, L. 105).

53. In Torgsin documents this region is called Palestine; Israel was not yet on the world map.

54. In 1933, money transfers to Torgsin from the United States and Canada brought in more than five million rubles—almost 40 percent of all remittances to Torgsin from abroad in that year. Germany supplied more than a million rubles, and about the same came from France. Transfers from England amounted to about 600,000, from China and Mongolia more than 800,000, and from Turkey and Palestine—more than 500,000 rubles (RGAE, F. 4433, Op. 1, D. 133, L. 101).

55. The Jewish Relief Federation was one of the organizations through which money went to Torgsin from England, which suggests a significant portion of Jewish money in transfers from this country as well (RGAE, F. 4433, Op. 1, D. 145, L. 449).

56. RGAE, F. 4433, Op. 1, D. 91, L. 89; D. 109, L. 22.

57. RGAE, F. 4433, Op. 1, D. 64, L. 80.

58. RGAE, F. 4433, Op. 1, D. 145, L. 188.

59. RGAE, F. 4433, Op. 1, D. 154, L. 90.

60. RGAE, F. 4433, Op. 1, D. 133, L. 101.

61. See the secret directive from the Torgsin Board to the heads of its regional offices (TsGAMO, F. 3819, Op. 1, D. 4, L. 11).

62. The campaign began in January 1935. It took place in the United States, but was especially active in Germany and Switzerland (RGAE, F. 4433, Op. 1, D. 145, L. 449). The decrease in money transfers from Germany was also caused by restrictions on remittances to the USSR established by the German government. A limit of one hundred marks per person per month was reduced to fifty marks, and in 1935 to ten marks (RGAE, F. 4433, Op. 1, D. 110, L. 158; D. 145, L. 449).

63. In 1933 and 1934, Germany's share of money transfers to Torgsin was still high, which proves that Hitler's rise to power did not immediately result in a decline of remittances to the USSR. It is also interesting that, according to the first version of the 1935 plan, Germany was still to play a significant role in money transfers to Torgsin by providing 1.6 million of the total 14 million rubles of remittances. Hence the restrictive measures against "fascist"

money were not part of the initial plan but were introduced in the course of 1935 (TsGAMO, F. 3812, Op. 1, D. 2, L. 20; RGAE, F. 4433, Op. 1, D. 133, L. 59; D. 145, LL. 188, 378).

64. RGAE, F. 4433, Op. 1, D. 133, L. 136.

11. What's for Sale?

1. The 1930 data have not been found. Torgsin then had just a few stores and sold goods only to foreigners, so the amount, without a doubt, was insignificant.

2. RGAE, F. 4433, Op. 1, D. 66, L. 102.

3. Officials reported from Ashgabat that people initially looked to Torgsin for such things as a blanket, sweater, socks, stockings, and silk. In a few months, everything would change—people would start asking for cheap flour (TsGA RUz, F. 289, Op. 1, D. 17, L. 103).

4. RGAE, F. 4433, Op. 1, D. 66, L. 102.

5. RGAE, F. 4433, Op. 1, D. 71, L. 172.

6. RGAE, F. 4433, Op. 1, D. 71, L. 311.

7. RGAE, F. 4433, Op. 1, D. 51, L. 27.

8. RGAE, F. 4433, Op. 1, D. 71, LL. 168–72.

9. RGAE, F. 4433, Op. 1, D. 71, LL. 168–72.

10. By the end of 1932, in comparison with the beginning of the year, the share of manufactured goods in the sales of the Leningrad Torgsin fell from 59 percent to 24 percent (LOGAV, F. 1154, Op. 3, D. 64, L. 26; Op. 10, D. 1, L. 20).

11. Marochko, "Torgsin," 99.

12. LOGAV, F. 1154, Op. 3, D. 13, L. 21.

13. GARF, F. 5446, Op. 15a, D. 818, L. 15. In 1933, Torgsin sold foods for eighty-six million rubles, including flour for thirty-five million (41 percent). Groats constituted 14 percent, sugar 12 percent, butter 9 percent, and vegetable oil 4 percent of total food sales.

14. RGAE, F. 4433, Op. 1, D. 132, LL. 34, 65.

15. See, for example, the Leningrad statistics: LOGAV, F. 1154, Op. 10, D. 1, L. 42.

16. LOGAV, F. 1154, Op. 10, D. 2, L. 16.

17. RGAE, F. 4433, Op. 1, D. 72, LL. 8–13. Materials of both the predominantly urban Leningrad Torgsin as well as the predominantly peasant Smolensk Torgsin indicate a drop in demand for foods and increase in demand for manufactured goods, although the types of goods in demand differed between urban and rural regions.

18. GASO, F. 1425, Op. 1, D. 23, L. 84.

19. RGAE, F. 4433, Op. 1, D. 101, L. 37.

20. Under the rationing system of 1931–1935, those allotted rations were assigned to specific distribution centers. No one else was officially allowed to buy there.

21. In the first half of 1935, food sales in Torgsin constituted only 36 percent of food sales in the first half of 1934, while sales of textiles and footwear rose to 120 percent (RGAE, F. 4433, Op. 1, D. 153, L. 22).

22. LOGAV, F. 1154, Op. 10, D. 11, L. 19; D. 12, L. 145.

23. RGAE, F. 4433, Op. 1, D. 153, L. 22.

24. RGAE, F. 4433, Op. 1, D. 175, L. 62.

25. Based on Torgsin's purchasing price of 1.29 rubles per gram of purity.

26. RGAE, F. 4433, Op. 1, D. 114, L. 52.

27. RGAE, F. 4433, Op. 1, D. 133, LL. 141–43.

28. For more on the final stage of Torgsin's work see ch. 18 in this book.

12. The Patrons

1. Bulgakov, *Master and Margarita*, chap. 28.

2. In the spring of 1933, of a thousand torgsins only five had trade turnover of 265,000 rubles a month. Almost 90 percent of stores were small shops with a turnover of less than six thousand rubles a month (RGAE, F. 4433, Op. 1, D. 77, L. 25).

3. RGAE, F. 4433, Op. 1, D. 25, L. 203; D. 71, LL. 28–30, 80; GASO, F. 1425, Op. 1, D. 25, LL. 14, 53; D. 29, L. 70; LOGAV, F. 1154, Op. 2, D. 1, LL. 150, 160; TsGA RUz, F. 288, Op. 1, D. 3, LL. 193, 198.

4. LOGAV, F. 1154, Op. 2, D. 19, LL. 42, 56; Op. 3, D. 15, L. 7; D 163, L. 13; D. 25, L. 39; Op. 10, D. 2, L. 41.

5. TsGA RUz, F. 288, Op. 1, D. 3, L. 125.

6. RGAE, F. 4433, Op. 1, D. 38, LL. 19, 20.

7. RGAE, F. 4433, Op. 1, D. 15, L. 100; LOGAV, F. 1154, Op. 2, D. 5, L. 55; TsGA RUz, F. 289, Op. 1, D. 17, L. 95 verso.

8. Marochko, "Torgsin," 99.

9. TsGA RUz, F. 288, Op. 1, D. 3, L. 5.

10. Before the personalized booklets were introduced in Torgsin, its money was stamped with the name of a city. The personalized booklets lasted three months and had to be extended before they expired. Otherwise, customers had to undergo the ordeal of approval by a store director (TsGA RUz, F. 288, Op. 1, D. 66, LL. 5–17).

11. RGAE, F. 4433, Op. 1, D. 27, L. 75.

12. TsGA RUz, F. 289, Op. 1, D. 65, L. 142.

13. RGAE, F. 4433, Op. 1, D. 12, L. 241.

14. RGAE, F. 4433, Op. 1, D. 27, L. 91; D. 71, L. 177.

15. TsGA RUz, F. 288, Op. 1, D. 3, L. 194.

16. RGAE, F. 4433, Op. 1, D. 168, L. 3.

17. TsGA RUz, F. 288, Op. 2, D. 3, L. 100.

18. Decrees dated February 26 and April 18, 1932. In pursuance of these decrees, the Torgsin Board sent its regional offices a circular in May. Exceptions to this rule could be made only by the government and on a case-by-case basis (RGAE, F. 4433, Op. 1, D. 29, L. 322; D. 70, L. 4).

19. RGAE, F. 4433, Op. 1, D. 4, L. 162; TsGA RUz, F. 288, Op. 1, D. 37, L. 63.

20. RGAE, F. 4433, Op. 1, D. 15, L. 61; D. 55, L. 6.

21. RGAE, F. 4433, Op. 1, D. 2, L. 29.

22. RGAE, F. 4433, Op. 1, D. 21, L. 147; D. 23, LL. 63, 88, 114; D. 29, LL. 334–35; D. 30, LL. 20, 41, 46; D. 43, L. 12; D. 52, L. 5; D. 61, L. 186; D. 64, L. 65; D. 65, L. 32; D. 71, LL. 1, 39; D. 73, L. 29; D. 148, L. 67; TsGAMO, F. 3812, Op. 1, D. 1, L. 31.

23. RGAE, F. 4433, Op. 1, D. 28, L. 61.

24. LOGAV, F. 1154, Op. 2, D. 13, L. 1.

25. RGAE, F. 4433, Op. 1, D. 120, L. 71.

26. RGAE, F. 4433, Op. 1, D. 38, LL. 15, 16.

27. RGAE, F. 4433, Op. 1, D. 9, L. 90; TsGA RUz, F.289, Op. 1, D. 10, L. 221.

28. TsGA RUz, F. 288, Op. 2, D. 3, L. 100.

29. TsGA RUz, F. 288, Op. 1, D. 31, L. 1.

30. GASO, F. 1425, Op. 1, D. 23, L. 14; LOGAV, F. 1154, Op. 10, D. 2, L. 3; D. 5, L. 124; RGAE, F. 4433, Op. 1, D. 38, LL. 13–14; TsGA RUz, F. 288, Op. 1, D. 3, L. 5; F. 289, Op. 1, D. 17, LL. 73, 74.

31. TsGA RUz, F. 288, Op. 1, D. 44, L. 23.

32. RGAE, F. 4433, Op. 1, D. 38, LL. 13, 14.

33. RGAE, F. 4433, Op. 1, D. 38, LL. 14–15.

34. TsGA RUz, F. 289, Op. 1, D. 17, L. 124.

35. LOGAV, F. 1154, Op. 4, D. 16, L. 10.

36. TsGAMO, F. 3812, Op. 2, D. 7, L. 9.

37. Isaak Tartakovskii, interview code 36168, segments 31–33, Shoah Foundation Institute Visual History Archive.

38. LOGAV, F. 1154, Op. 4, D. 145, LL. 23, 28. 40; Op. 10, D. 32, L. 59.

39. LOGAV, F. 1154, Op. 4, D. 148, L. 150.

40. LOGAV, F. 1154, Op. 4, D. 154, L. 39.

41. The word *likho* in Russian has several meanings: misfortune or evil but also despair and bravery. For example, *likhaia zhizn′* means "a dashing life!" "Slavl′" is from the word *slavit ′*—to glorify. The city of Likhoslavl′ does exist in Russia (in the Tver′ region); however, it is doubtful that the detainee gave her true home address.

42. LOGAV, F. 1154, Op. 10, D. 32, L. 40.

43. RGAE, F. 4433, Op. 1, D. 42, L. 13.

44. TsGAMO, F. 3812, Op. 1, D. 6, L. 18; Op. 2, D. 7, L. 18; RGAE, F. 4433, Op. 1, D. 28, LL. 236, 237; LOGAV, F. 1154, Op. 10, D. 2, L.18.

45. RGAE, F. 4433, Op. 1, D. 148, LL. 83–87, 89; TsGAMO, F. 3812, Op. 2, D. 7, LL. 8, 18; F. 3817, Op. 1, D. 3, LL. 14, 18.

46. In the 1930s, artisans with licenses had to sell their products through cooperatives at fixed prices.

47. RGAE, F. 4433, Op. 1, D. 168, L. 36.

48. See Solomon, *Soviet Criminal Justice under Stalin*, 29.

49. On the black market under Stalin, see Hessler, *Social History of Soviet Trade*; Osokina, *Our Daily Bread*; Osokina, "Economic Disobedience under Stalin"; Kotkin, *Magnetic Mountain*; and Fitzpatrick, *Everyday Stalinism*. A comprehensive bibliography of the black market during Brezhnev's stagnation is Grossman, "Second Economy in the USSR and Eastern Europe."

50. RGAE, F. 4433, Op. 1, D. 95, L. 20.

51. RGAE, F. 4433, Op. 1, D. 26, L. 127.

52. RGAE, F. 4433, Op. 1, D. 38, L. 18.

53. As noted earlier, Torgsin's gold ruble officially was equal to 6.6 rubles of regular Soviet money.

54. The Soviet writer Iurii Nagibin, who was married to a daughter of the famous Moscow automobile plant director I. A. Likhachev, provides an illustration. Likhachev's daughter and wife ordered their clothes made in a special elite tailor's shop, while the goods that they received through a government distribution store they sold on the black market in Moscow: "Each of them [the daughter and a servant—E.O.] put on two fur coats, one over the other; smaller things—sweaters, dresses, skirts, underwear—were hanging on their arms. They went to do business in the crowded depths of the bazaar." Likhachev's wife gave instructions and waited for their return in the director's state car. The story comes from the end of World War II, but it is unlikely that the plant director's family was selling things out of need. It was a business (Nagibin, Moia zolotaia teshcha," 219–21).

55. RGAE, F. 4433, Op. 1, D. 168, L. 127.

56. LOGAV, F. 1154, Op. 3, D. 35, L. 16; TsGA RUz, F. 289, Op. 1, D. 245, L. 83.

57. TsGAMO, F. 3812, Op. 1, D. 4, L. 36.

58. RGAE, F. 4433, Op. 1, D. 71, L. 47.

59. RGAE, F. 4433, Op. 1, D. 132, L. 164.

60. LOGAV, F. 1154, Op. 10, D. 32, LL. 72, 74–76, 80–86, 91, 93.

61. LOGAV, F. 1154, Op. 4, D. 154, L. 2.

62. LOGAV, F. 1154, Op. 3, D. 35, L. 16; Op. 10, D. 32, L. 83.

63. RGAE, F. 4433, Op. 1, D. 130, L. 102.

13. Prices

1. RGAE, F. 4433, Op. 1, D. 114, L. 45.
2. RGAE, F. 4433, Op. 1, D. 17, L. 207.
3. RGAE, F. 4433, Op. 1, D. 66, L. 101; D. 168, L. 29.
4. GARF, F. 5446, Op. 13a, D. 350, L. 33.
5. The black market exchange rate of Torgsin's gold ruble and the regular ruble grew rapidly as the famine worsened, reaching a ratio of 1:60 by the beginning of 1933 (RGAE, F. 4433, Op. 1, D. 71, LL. 168–72).
6. Pood—an old Russian unit of mass that equals approximately 16.4 kilograms (36.1 pounds).
7. RGAE, F. 4433, Op. 1, D. 20, L. 37.
8. The committee reported its conclusions in April 1933 (RGAE, F. 4433, Op. 1, D. 71, LL. 168–74).
9. RGAE, F. 4433, Op. 1, D. 66, L. 101.
10. The Price Council was chaired by the deputy people's commissar of trade. Torgsin was represented by its head (RGAE, F. 4433, Op. 1, D. 62, L. 108; D. 168, LL. 28–29).
11. GARF, F. 5446, Op. 15a, D. 818, L. 15.
12. RGAE, F. 4433, Op. 1, D. 75, L. 6.
13. In July 1933, prices for flour and butter were reduced; in August prices fell for flour (again) and groats (RGAE, F. 4433, Op. 1, D. 168, L. 28).
14. RGAE, F. 4433, Op. 1, D. 64, L. 20; D. 71, L. 118; D. 77, L. 2.
15. RGAE, F. 4433, Op. 1, D. 71, L. 50.
16. RGAE, F. 4433, Op. 1, D. 80, L. 28.
17. RGAE, F. 4433, Op. 1, D. 114, L. 54.
18. In December 1933, Torgsin's deputy chairman Must wrote about an unfavorable ratio between Torgsin's sale prices on goods and those in the new model department stores (RGAE, F. 4433, Op. 1, D. 75, LL. 28, 37, 38).
19. RGAE, F. 4433, Op. 1, D. 132, L. 68.
20. GARF, F. 5446, Op. 15a, D. 818, L. 15.
21. At the beginning of 1934, prices were further reduced. The price of flour became four gold kopecks per kilo. Compared with the end of 1933, the price of rice dropped by 40 percent, sugar by 40–45 percent, groats by 20 percent, canned fish by 33 percent, dried fruits by 35 percent, and Swiss cheese by 10 percent (RGAE, F. 4433, Op. 1, D. 94, L. 16; D. 108, L. 20; GARF, F. 5446, Op. 15a, D. 818, L. 15).
22. GARF, F. 5446, Op. 15a, D. 818, L. 15.
23. The commission included representatives of Narkomvneshtorg, Rabkrin, Gosbank, Narkomfin, and Torgsin (RGAE, F. 4433, Op. 1, D. 94, L. 16).
24. GARF, F. 5446, Op. 15a, D. 818, L. 15.
25. The commission took this decision unanimously. Narkomvneshtorg's representative and Torgsin's chair Stashevskii had to vote "yes."
26. In March 1934, prices went up for flour, groats, pasta, vegetable oil and butter, meat, and sugar (RGAE, F. 4433, Op. 1, D. 168, L. 28).
27. RGAE, F. 4433, Op. 1, D. 153, L. 19.
28. RGAE, F. 4433, Op. 1, D. 122, LL. 49–52.
29. GARF, F. 5446, Op. 15a, D. 825; D. 829, L. 4; D. 831.
30. RGAE, F. 4433, Op. 1, D. 133, LL. 91–92; D. 168, LL. 27–29.
31. RGAE, F. 4433, Op. 1, D. 63, L. 59; D. 133, LL. 91–93; D. 175, L. 61.
32. RGAE, F. 4433, Op. 1, D. 133, LL. 89–90.
33. In particular, the prices of bread products increased by 20 percent; fish, confectionery, wine, fruits by 10 percent; tobacco by 25 percent; wool products by 50–65

percent; silk by 50 percent; cotton fabric by 35 percent; clothes by 45 percent; knitwear by 42 percent; leather footwear by 35 percent; and laundry soap by 70 percent. The decree was classified, as if it was possible to hide the price increase from customers. (RGAE, F. 4433, Op. 1, D. 133, LL. 89–90, 99). Narkomvneshtorg planned to raise food prices on average by 15 percent, but the government insisted on 20 percent (RGAE, F. 4433, Op. 1, D. 134, L. 52).

34. RGAE, F. 4433, Op. 1, D. 133, L. 93.

35. To buy a bag of flour (weighing 70 kilograms) from Torgsin at the cost of twenty gold kopecks per kilo during the 1933 mass famine, people had to bring in eleven grams of pure gold.

36. RGAE, F. 4433, Op. 1, D. 122, LL. 49–52.

37. This rate, for instance, existed in Moscow, Rostov, Osetiia, and Dagestan (RGAE, F. 4433, Op. 1, D. 75, L. 12). By the end of Torgsin's operations, the exchange rate of gold and regular ruble stood at 1:30. In Torgsin's final report (December 1935), gold rubles were converted into regular rubles at a 1:28 ratio (RGAE, F. 4433, Op. 1, D. 175, L. 130).

38. GARF, F. 5446, Op. 15a, D. 818, L. 15.

39. The absence of data on Torgsin's sale prices in 1931 and early 1932 makes it impossible to define whether these periods were more or less favorable for making purchases in Torgsin than in the spring of 1934.

40. RGAE, F. 4433, Op. 1, D. 75, LL. 28, 37, 38.

41. RGAE, F. 4433, Op. 1, D. 114, LL. 52–194.

42. RGAE, F. 4433, Op. 1, D. 122, L. 52.

43. RGAE, F. 4433, Op. 1, D. 71, LL. 168–72; D. 114, L. 45; D. 133, LL. 80–81, 91–93.

44. The ratios in kilograms (Poland, France, Torgsin) were: sugar—3, 3–4.4, 1.2; semolina—10, 3, 1; ham—1–1.8, 0.4–0.5, 0.3; and eggs (pieces)—57, 14–30, 10 (RGAE, F. 4433, Op. 1, D. 138, L. 66).

14. Soviet Brothels

1. RGAE, F. 4433, Op. 1, D. 8, L. 15.

2. RGAE, F. 4433, Op. 1, D. 3, LL. 51, 82.

3. In the days before Torgsin, foreign captains could pay either with hard currency or with "rubles of hard-currency origin" (RGAE, F. 4433, Op. 1, D. 3, L. 30).

4. RGAE, F. 4433, Op. 1, D. 3, L. 49.

5. The premium could not exceed 5 percent of a ship's total order and could be paid both in cash and Torgsin's goods (RGAE, F. 4433, Op. 1, D. 5, L. 54, 96; D. 73, L. 118).

6. RGAE, F. 4433, Op. 1, D.73, L. 30.

7. In Odessa, a captain gave a list of his crew's names to a torgsin bar so that the sailor could buy on credit only in this bar (RGAE, F. 4433, Op. 1, D. 73, L. 30).

8. RGAE, F. 4433, Op. 1, D. 73, L. 13 verso.

9. RGAE, F. 4433, Op. 1, D. 73, L. 41.

10. The Italian spelling of Koli's name is not known.

11. RGASPI, F. 17, Op. 120, D. 35, L. 104.

12. RGASPI, F. 17, Op. 120, D. 35, LL. 105–6; RGAE, F. 4433, Op. 1, D. 73, LL. 29–30, 107. Not only the Black Sea ports but other ports as well suffered from prostitution.

13. RGAE, F. 4433, Op. 1, D. 73, L. 24. A Russian translation of the letter is preserved in the archive. The letter is signed by the members of the sailors' committees of the ships *Mari Lemos* and *Volgas* (in the documents ships' names are given in Russian).

14. There are several remarks on the copy of the letter preserved in the archive. One suggests that the OGPU head, Iagoda, was informed about the Kherson case. Another commentator, a certain Geitts, resents that the letter was not classified (RGAE, F. 413, Op. 12,

D. 1333, L. 165).

15. Gol'dshtein's den in Odessa, in January 1933, became the subject of a joint meeting of VTsSPS, IMPR, Torgsin, and Intourist. The participants admitted that they could not get rid of Gol'dshtein and sent the case to the TsKK-RKI for a decision (RGAE, F. 4433, Op. 1, D. 73, L. 16).

16. RGAE, F. 4433, Op. 1, L. 13.

17. RGAE, F. 4433, Op. 1, D. 73, LL. 41–42. A Russian translation of the letter is preserved in the archive.

18. Only a Russian spelling of Rossetti's name is available

19. A Russian translation of the letter is preserved in the archive.

20. RGAE, F. 4433, Op. 1, D. 20, L. 187.

21. RGAE, F. 4433, Op. 1, D. 5, L. 218. The justification of prostitution by the need to earn hard currency for the five-year plan, in fact, often served the personal interests of the seaport torgsins' heads.

22. RGAE, F. 413, Op. 12, D. 1333, L. 165.

23. The militia at that time was under the OGPU's jurisdiction.

24. RGASPI, F. 17, Op. 120, D. 35, L. 105.

25. RGAE, F. 413, Op. 12, D. 1333, L. 165.

26. RGAE, F. 4433, Op. 1, D. 73, L. 13.

27. RGAE, F. 4433, Op. 1, D. 164, L. 27.

28. RGASPI, F. 17, Op. 120, D. 35, L. 105.

29. RGAE, F. 413, Op. 12, D. 1333, L. 166.

30. RGAE, F. 4433, Op. 1, D. 5, L. 245.

31. RGAE, F. 413, Op. 12, D. 1333, L. 165.

32. RGAE, F. 4433, Op. 1, D. 73, L. 2.

33. RGAE, F. 4433, Op. 1, D. 73, L. 20.

34. RGASPI, F. 17, Op. 120, D. 35, L. 106.

35. RGAE, F. 4433, Op. 1, D. 162, LL. 23–31.

36. In October 1933, Torgsin's deputy head Must wrote to the Arkhangel'sk Torgsin: "In view of the government's decision to eliminate any buffets, bars, and entertainment in the seaport torgsins, we don't find it possible to allow you to have a string orchestra at a hotel restaurant exclusively allotted for foreigners and foreign captains staying in this hotel." Without the string orchestra, the restaurant's revenue fell from sixty to thirty-five rubles a day. The Arkhangel'sk Torgsin asked permission for the orchestra to work at least during the daytime (RGAE, F. 4433, Op. 1, D. 73, L. 142).

37. RGAE, F. 4433, Op. 1, D. 152, LL. 22–23, 30.

38. RGAE, F. 4433, Op. 1, D. 164, LL. 25, 26.

39. RGAE, F. 4433, Op. 1, D. 120, L. 64.

40. LOGAV, F. 1154, Op. 10, D. 32, L. 29.

41. RGAE, F. 4433, Op. 1, D. 164, LL. 23–31.

42. RGAE, F. 4433, Op. 1, D. 120, L. 58.

43. RGAE, F. 4433, Op. 1, D. 26, L. 218; D. 164, LL. 23–31.

44. LOGAV, F. 1154, Op. 3, D. 64, L. 50.

45. LOGAV, F. 1154, Op. 1, D. 1, L. 54; Op. 3, D. 60, L. 12; RGAE, F. 4433, Op. 1, D. 29, L. 47.

46. RGAE, F. 4433, Op. 1, D. 5, L. 8; D. 28, LL. 185–97.

47. RGAE, F. 4433, Op. 1, D. 5, L. 8.

48. RGAE, F. 4433, Op. 1, D. 12, L. 238; D. 13, L. 46; D. 30, L. 65; D. 51, L. 29; D. 164, L. 24.

49. RGAE, F. 4433, Op. 1, D. 164, L. 23.

50. During a search of the home of a Poti senior ship chandler, Milovanov, the NKVD found imported musical records worth three thousand rubles (RGAE, F. 4433, Op. 1, D. 164,

LL. 27, 30–31).

51. RGAE, F. 4433, Op. 1, D. 164, L. 29.

52. RGAE, F. 4433, Op. 1, D. 164, LL. 24, 28, 31.

53. LOGAV, F. 1154, Op. 3, D. 64, L. 50.

54. RGAE, F. 4433, Op. 1, D. 26, LL. 216, 217; D. 164, L. 82.

55. LOGAV, F. 1154, Op. 1, D. 4, LL. 2, 8.

56. LOGAV, F. 1154, Op. 3, D. 25, L. 48.

57. RGAE, F. 4433, Op. 1, D. 12, L. 238.

58. LOGAV, F. 1154, Op. 4, D. 64, L. 7.

59. LOGAV, F. 1154, Op. 4, D. 16, L. 188.

60. LOGAV, F. 1154, Op. 10, D. 11, L. 25 verso.

61. LOGAV, F. 1154, Op. 10, D. 11, L. 5 verso.

62. LOGAV, F. 1154, Op. 10, D. 11, L. 31.

63. LOGAV, F. 1154, Op. 10, D. 11, L. 22.

64. RGAE, F. 4433, Op. 1, D. 21, LL. 20–22.

65. LOGAV, F. 1154, Op. 3, D. 60, L. 1.

66. Thus, of the total amount of 2.6 million rubles received in 1934, 1.6 million accounted for the servicing of Soviet ships paid in regular rubles; of the total amount of 2.7 million received in 1935, only 1 million came from the servicing of foreign ships (RGAE, F. 4433, Op. 1, D. 133, L. 103; D. 175, L. 63).

15. Torgsin and the Political Police

1. In July 1934, the OGPU was incorporated into the newly created People's Commissariat of Internal Affairs (NKVD), becoming its Main Directorate of State Security (GUGB).

2. GARF, F. 5446, Op. 12a, D. 698, LL. 1, 7.

3. RGASPI, F. 17, Op. 162, D. 8, L. 152.

4. Mozokhin, *VChK—OGPU*, 222.

5. RGAE, F. 4433, Op. 1, D. 8, L. 70.

6. RGAE, F. 4433, Op. 1, D. 8, LL. 172–74.

7. TsK VKP (b) directive of April 25, 1932. RGAE, F. 4433, Op. 1, D. 38, L. 1 verso.

8. RGAE, F. 4433, Op. 1, D. 148, L. 26.

9. RGAE, F. 4433, Op. 1, D. 2, L. 6.

10. RGAE, F. 4433, Op. 1, D. 148, L. 36; D. 8, L. 68.

11. RGAE, F. 4433, Op. 1, D. 5, LL. 307, 308, 329, 229; D. 15, L. 24; D. 19, L. 2; D. 26, L. 217; D. 29, L. 113; D. 31, L. 23; D. 43, L. 18; D. 45, L. 12; D. 53, L. 23; D. 148, LL. 11, 18, 33, 40, 42, 51, 97, 101; D. 149, LL. 79, 83, 86 and verso, 88, 90; D. 168, L. 38; TsGAMO, F. 3812, Op. 1, D. 1, L. 31; GASO, F. 1425, Op. 1, D. 2, L. 25; D. 22, L. 54.

12. RGAE, F. 4433, Op. 1, D. 149, L. 86 and verso.

13. RGAE, F. 4433, Op. 1, D. 149, L. 86 and verso.

14. RGAE, F. 4433, Op. 1, D. 45, L. 12.

15. RGAE, F. 4433, Op. 1, D. 149, L. 88.

16. LOGAV, F. 1154, Op. 2, D. 5, L. 123; TsGA RUz, F. 288, Op. 1, D. 40, L. B5.

17. LOGAV, F. 1154, Op. 2, D. 5, L. 12.

18. A receipt was required to transport goods purchased in Torgsin to prove that they were bought legally rather than stolen or purchased from speculators.

19. RGAE, F. 4433, Op. 1, D. 148, L. 40.

20. RGAE, F. 4433, Op. 1, D. 19, L. 2.

21. RGAE, F. 4433, Op. 1, D. 148, L. 18.

22. TsGA RUz, F. 289, Op. 1, D. 200, L. 6.
23. RGAE, F. 4433, Op. 1, D. 148, L. 28 and verso; D. 149, L. 86 and verso.
24. TsGA RUz, F. 288, Op. 2, D. 3, LL. 31 and verso, 33.
25. RGAE, F. 4433, Op. 1, D. 148, L. 18.
26. Khandros, being a Jew himself, here refers to the person who was known in the village to be well-off. Other interviews document that not only Jews but also people of other nationalities were repressed by the OGPU.
27. Boris Khandros, Ozarintsy, Vinnytsia obl., interview code 26745, segments 33–36. Videotaped interviews. USC Shoah Foundation Institute. Visual History Archive at http://college/usc/edu/vhi. Cited in Crispin Brooks, "Video Oral Histories of the Ukrainian Famine."
28. The interview gives reason to believe that Kosov worked at a local torgsin. Lozover suggests that the OGPU/NKVD used Kosov to receive information about Torgsin's customers and liquidated him when he was no longer needed. See Lazar' Lozover, Ozarintsy, Vinnytsia obl. interview code 40581, segments 26–29. Cited in Crispin Brooks, "Video Oral Histories of the Ukrainian Famine."
29. RGAE, F. 4433, Op. 1, D. 15, L. 12; D. 148, LL. 11, 34; D. 149, L. 86 and verso.
30. RGAE, F. 4433, Op. 1, D. 148, L. 34.
31. RGAE, F. 4433, Op. 1, L. 11.
32. RGAE, F. 4433, Op. 1, D. 149, L. 86.
33. RGAE, F. 4433, Op. 1, D. 5, L. 302; D. 31, L. 23; D. 38, L. 8; D. 41, L. 29; D. 149, L. 90.
34. RGAE, F. 4433, Op. 1, D. 148, L. 18.
35. RGAE, F. 4433, Op. 1, D. 43, L. 18.
36. RGAE, F. 4433, Op. 1, D. 19, L. 2.
37. RGAE, F. 4433, Op. 1, D. 31, L. 23.
38. RGAE, F. 4433, Op. 1, D. 5, L. 229; D. 19, L. 2; D. 31, L. 22; D. 149, L. 90.
39. RGAE, F. 4433, Op. 1, D. 148, L. 26. In Soviet terminology, a *seredniak* was a peasant who owned the means of agricultural production but did not exploit others, someone who occupied a socio-economic position between a poor peasant (*bedniak*) and a rich one, an exploiter (*kulak*).
40. RGAE, F. 4433, Op. 1, D. 148, L. 26.
41. RGAE, F. 4433, Op. 1, D. 38, L. 8; D. 148, LL. 26, 28.
42. TsGAMO, F. 2014, Op. 2, D. 2, L. 24.
43. RGAE, F. 4433, Op. 1, D. 149, L. 83.
44. RGAE, F. 4433, Op. 1, D. 168, L. 38.
45. The Russian word *pokhod* has several meanings, all of which imply adventure, hard work, and risk: for example, *voennyi pokhod*—military campaign or *turisticheskii pokhod*—hiking and camping in the wild.

16. The Seller Is Always Right

1. RGAE, F. 4433, Op. 1, D. 66, L. 49; D. 105, L. 13; D. 158, LL. 26–27.
2. RGAE, F. 4433, Op. 1, D. 71, L. 47.
3. LOGAV, F. 1154, Op. 2, D. 1, L. 149.
4. On the periphery, the party layer in Torgsin's administration was thinner than in its board or the Moscow, Leningrad and Ukrainian offices, and the majority of party members there were the young communists of "Stalin's draft." Strengthening of the party stratum was one of the main directions of Torgsin's personnel policy.
5. RGAE, F. 4433, Op. 1, D. 7, L. 3.
6. RGAE, F. 4433, Op. 1, D. 172, L. 105.

7. RGAE, F. 4433, Op. 1, D. 172, L. 69.
8. Marochko, "Torgsin," 91.
9. RGAE, F. 4433, Op. 1, D. 172, L. 69.
10. In the All-Ukrainian and Khar'kov offices of Torgsin, in the spring of 1932, only 3 of 187 full-time employees had a higher education, and 72 had a secondary education (Marochko, "Torgsin," 91).
11. TsGA RUz, F. 288, Op. 1, D. 65, L. 7.
12. RGAE, F. 4433, Op. 1, D. 71, L. 47.
13. RGAE, F. 4433, Op. 1, D. 172, L. 69.
14. On peasants' life in the capital, see Hoffmann, *Peasant Metropolis*.
15. TsGA RUz, F. 289, Op 1, D. 17, L. 106.
16. TsGA RUz, F. 289, Op 1, D. 17, LL. 104, 106.
17. RGAE, F. 4433, Op. 1, D. 21, L. 88.
18. TsGA RUz, F. 288, Op. 1, D. 65, LL. 7–8.
19. Before the revolution and during the NEP, the share of Jews in private commerce was disproportionately high compared to their share of the population. Yuri Slezkine (*Jewish Century*) views the Jews as "service nomads," who for centuries had been engaged mainly in entrepreneurship and delivery of goods and services to the population.
20. RGAE, F. 4433, Op. 1, D. 172, L. 105 and verso; Marochko, "Torgsin," 91, 92.
21. TsGA RUz, F. 288, Op. 2, D. 3, L. 71.
22. LOGAV, F. 1154, Op. 3, D. 16, L. 7.
23. On the government's efforts in mobilizing women for "socialist trade," see Randall, "Legitimizing Soviet Trade."
24. TsGA RUz, F. 288, Op. 1, D. 65, L. 8.
25. RGAE, F. 4433, Op. 1, D. 28, L. 69.
26. The salaries of the heads of Torgsin's regional branches depended on the importance of their offices in Torgsin's hierarchy, defined by amount of procured valuables (GASO, F. 1425, Op. 1, D. 1, L. 8).
27. RGAE, F. 4433, Op. 1, D. 16, L. 14; D. 50; D. 167.
28. LOGAV, F. 1154, Op. 2, D. 1, LL. 307, 311, 312; RGAE, F. 4433, Op. 1, D. 105, L. 13.
29. RGAE, F. 8043, Op. 1, D. 90; Op. 11, D. 78, LL. 15–20; D. 26, LL. 2–4; F. 1562, Op. 329, D. 62, L. 1; GARF, F. 5446, Op. 14a, D. 452, L. 10.
30. GASO, F. 1425, Op. 1, D. 29, L. 35.
31. See chap. *Gold* in this book. For the "Instructions on the Differentiated Rations" see: GASO, F. 1425, Op. 1, D. 29, LL. 61–65.
32. LOGAV, F. 1154, Op. 2, D. 5, L. 128.
33. GASO, F. 1425, Op. 1, D. 22, L. 7 and verso.
34. LOGAV, F. 1154, Op. 2, D. 5, L. 12 verso.
35. It was decided to remove Chizhov from his position and bring him to justice for disrupting work (TsGA RUz, F. 288, Op. 1, D. 31, L. 48).
36. TsGA RUz, F. 288, Op. 2, D. 3, LL. 72–73, 81–85.
37. TsGA RUz, F. 288, Op. 2, D. 3, L. 105.
38. LOGAV, F. 1154, Op. 2, D. 5, L. 123.
39. LOGAV, F. 1154, Op. 3, D. 38, L. 9.
40. LOGAV, F. 1154, Op. 3, D. 25, LL. 11, 12.
41. LOGAV, F. 1154, Op. 2, D. 5, L. 8.
42. RGAE, F. 4433, Op. 1, D. 71, L. 174; D. 104, L. 43.
43. RGAE, F. 4433, Op. 1, D. 60, L. 190; TsGAMO, F. 2014, Op. 2, D. 2, LL. 46–47; F. 3819, Op. 1, D. 4, LL. 52, 55.
44. TsGAMO, F. 3819, Op. 1, D. 4, L. 52.

45. TsGAMO, F. 3819, Op. 1, D. 4, LL. 22, 39–40.

46. RGAE, F. 4433, Op. 1, D. 65, L. 32; D. 80, L. 39; D. 147, L. 111; D. 148, L. 114; D. 164, LL. 23–31; TsGAMO, F. 3812, Op. 1, D. 4, L. 36; Op. 2, D. 4, L. 77.

47. TsGAMO, F. 3812, Op. 1, D. 1, L. 31.

48. RGANI, F. 6, Op. 1, D. 53, L. 73.

49. The Russian edition of this book has a special chapter on this case; see Osokina, *Zoloto dlia industrializatsii*, 294–300.

50. RGAE, F. 4433, Op. 1, D. 73, L. 29.

51. RGAE, F. 4433, Op. 1, D. 148, L. 83 verso.

52. LOGAV, F. 1154, Op. 4, D. 160, L. 25.

53. RGAE, F. 4433, Op. 1, D. 29, L. 170.

54. RGAE, F. 4433, Op. 1, D. 71, L. 161; TsGAMO, F. 3812, Op. 1, D. 1, L. 31.

55. RGAE, F. 4433, Op. 1, D. 71, L. 161.

56. RGAE, F. 4433, Op. 1, D. 16, L. 32; D. 23, L. 114; D. 24, L. 18; D. 30, L. 171; D. 59, L. 144; D. 95, L. 29; D. 104, LL. 11, 38; D. 147, LL. 83, 111; D. 148, LL. 67, 114; TsGAMO, F. 3817, Op. 1, D. 4, L. 39.

57. RGAE, F. 4433, Op. 1, D. 104, L. 43; LOGAV, F. 1154, Op. 4, D. 148, L. 96.

58. LOGAV, F. 1154, Op. 4, D. 145, L. 124; TsGAMO, F. 3815, Op. 1, D. 5, L. 6; F. 3812, Op. 2, D. 7, L. 20; TsGA RUz, F. 81, Op. 1, D. 83, L. 2.

59. The Berezka stores fundamentally differed from Torgsin. Berezka was created to serve a relatively small and well-off group of Soviet people who worked abroad and were paid salaries in foreign currency. Part of their salary was deposited to personal accounts in the Soviet Vneshtorgbank. Since hard-currency operations inside the USSR were prohibited, on returning to the USSR, people could receive their hard-currency savings in Vneshtorg coupons and use them as payment in Berezka. Unlike Torgsin, Berezka did not accept precious metals and stones, and its assortment was almost entirely of fashionable imported goods. While for the majority of its customers Torgsin became a means of physical survival, a sign of tragedy, Berezka was a farce of nomenklatura socialism. For more, see Osokina, *Alkhimiia Sovetskoi industrializatsii*; and Ivanova, *Magaziny "Berezka*."

60. For that purpose stores kept double account books: one for sales of state goods, the other for sales of goods provided by store's employees. A jar of black caviar, for instance, in a regular grocery store cost about three rubles, but it was resold in Berezka for three US dollars.

61. TsGA RUz, F. 81, Op. 1, D. 83, L. 2.

62. LOGAV, F. 1154, Op. 3, D. 24, L. 29.

63. TsGAMO, F. 3817, Op. 1, D. 3, L. 11.

64. The "light cavalry" included store employees as well as some outsiders. An employee of the Leningrad Torgsin, caught stealing, said in self-defense that "she herself conducts searches of her comrades."

65. LOGAV, F. 1154, Op. 4, D. 145, LL. 368–70.

66. LOGAV, F. 1154, Op. 3, D. 24, LL. 9, 16, 29, 55; Op. 4, D. 16, LL. 27–30; D. 145, LL. 82, 88, 368–70; Op. 10, D. 22, L. 50.

67. The practice of "borrowing," when employees took Torgsin's fancy goods for a temporary use, was apparently quite common.

68. TsGAMO, F. 3812, Op. 2, D. 5, LL. 30–31.

69. TsGA RUz, F. 289, Op. 1, D. 65, LL. 43, 68.

70. GARF, F. 5446, Op. 15a, D. 857, L. 85.

71. RGAE, F. 4433, Op. 1, D. 71, LL. 168–72.

72. RGAE, F. 4433, Op. 1, D. 152, LL. 22, 23, 30.

73. RGAE, F. 4433, Op. 1, D. 151, L. 26; TsGAMO, F. 2014, Op. 2, D. 9, LL. 74–77; F. 3812, Op. 2,

D. 1, L. 25 and verso; F. 3817, Op. 1, D. 4, LL. 8–10; D. 6, LL. 50–55; TsGA RUz, F. 288, Op. 2, D. 3, L. 50 and verso.

74. TsGAMO, F. 3817, Op. 1, D. 4, LL. 39–40.

75. RGAE, F. 4433, Op. 1, D. 167, L. 70.

76. TsGAMO, F. 3812, Op. 1, D. 22; F. 3819, Op. 1, D. 1, LL. 10–11.

77. TsGAMO, F. 3817, Op. 1, D. 4, LL. 22, 25.

17. The Red Directors of Torgsin

1. This chapter is mainly based on Levenson's party file (RGASPI, F. 17, Op. 100.) Only in 2020, long after the first Russian edition of my book had been published, did I find out that Elena Chernokhvostova-Levenson wrote a book on the Levenson family (*Irkutskie kuptsy Levensony i ikh potomki*).

2. The Party of SRs was founded in 1901 by groups of neo-*narodniki* (populists), who continued some of the nineteenth-century populist traditions: an adherence to the ideas that the intelligentsia owed a debt to the common people and should be useful in practical terms to them, with special attention to the peasants. The SRs were socialists but not Marxists. In the Civil War many SRs fought against the Bolsheviks. By the beginning of the 1920s, the SRs' activity in Soviet Russia was suppressed.

3. Aleksandr Vasil'evich Kolchak (1874–1920), one of the leaders of the anti-Bolshevik movement, was a man of many talents and services to Russia. He was an Arctic explorer, a scientist of oceanography and hydrology, a member of the Russian Geographical Society, a participant in many research expeditions, a hero of the defense of Port Arthur during the Russian-Japanese War of 1904–1905, and a participant in a number of successful naval operations during World War I. When the Bolsheviks seized power in October 1917, he was in the United States, where he headed a Russian naval mission. He could have remained abroad. Instead he returned to Russia and faced his fate.

4. Stalin became Rabkrin's first head. He held this post until 1922.

5. The Sol'sindikat of the VSNKh of the RSFSR (1922–1925) coordinated salt companies' activities to determine volumes of production and sales in domestic and foreign markets. In 1925, it received All-Union status and came under the jurisdiction of the VSNKh of the USSR.

6. Chernokhvostova-Levenson mentions in her book that Mikhail Levenson was temporarily expelled from the party around this time (later restored), but she does not specify the time of the expulsion (*Irkutskie kuptsy Levensony i ikh potomki*, 70).

7. Aleksandr Rylov, "Sem'ia s traditsiiami: Ot Stalina do Dastina Khofmana," http://www.sem40.ru/ourpeople/destiny.

8. A samovar is a traditional Russian metal container used for boiling water.

9. Filipp Veitsman, whose father was deputy head of the Soviet trade mission in Genoa in 1929–1930, accused Levenson of betraying the Soviet trade mission specialist Iakov L 'vovich Krainin. Veitsman believes that Levenson was in charge of an operation to lure Krainin from Italy to the USSR, where he was repressed, allegedly, for signing a trade contract unfavorable to the USSR with an Italian merchant. He adds that Levenson was awarded a Soviet order for this operation (Veitsman, *Bez Otechestva*).

10. While Levenson served as head of the Soviet trade mission in Italy, Veitser was a Soviet trade representative in Germany in 1932–1934. It seems that it was no accident that Levenson became Veitser's deputy at Narkomvnutorg.

11. Levenson was arrested on October 14, 1937.

12. Archive of the President of the Russian Federation (AP RF), Op. 24, D. 417, L. 229, http://stalin.memo.ru/names/index.htm.

13. Central Archive of the Federal Security Service (TsA FSB), F. 3, Op. 7, D. 945, LL. 462–

69.

14. Veitser was arrested in the fall of 1937 and shot in May 1938. Levenson's wife, Rozaliia, was also arrested and after imprisonment sent to the Gulag, where she spent ten years in a concentration camp and exile (released in 1947, died in 1950).

15. Chernokhvostova-Levenson, *Irkutskie kuptsy Levensony i ikh potomki*, 71.

16. Elena Chernokhvostova-Levenson used these memoirs in her book (*Irkutskie kuptsy Levensony i ikh potomki*).

18. Twilight

1. The SNK decree of May 13, 1934, ordered Torgsin to cease, from January 1, 1936, all operations except for these (RGAE, F. 4433, Op. 1, D. 94, LL. 48–50).

2. GARF, F. 5446, Op. 16a, D. 1150, LL. 1–2.

3. Torgsin money not utilized by January 1, 1936, was to be exchanged at Gosbank at the rate of one Soviet regular ruble per gold ruble—that is, at a loss to the population. The deadline, however, was extended until July 1, 1936 (GARF, F. 5446, Op. 16a, D. 1150, L. 12).

4. GARF, F. 5446, Op. 16a, D. 1150, LL. 1–2.

5. The new post-Torgsin prices were 6.50 regular rubles per gram of pure gold and 100 regular rubles per kilo of silver (GARF, F. 5446, Op. 16a, D. 1150, L. 11).

6. According to the SNK decree on Torgsin's liquidation, in 1936 both foreign currency cash and transfers from abroad were to be exchanged at the rate of 5.75 regular rubles per US dollar; 28 regular rubles per British pound sterling, and 33.3 regular kopecks per French franc (GARF, F. 5446, Op. 16a, D. 1150, L. 10).

7. By September 1933, compared to April, Torgsin's sales had dropped by more than a third (RGAE, F. 4433, Op. 1, D. 72, LL. 8–13).

8. The Moscow plant KIM assembled cars from parts purchased from the Ford Company. A car that cost the state $460 was sold for at least $725–50; the profit on spare parts was even higher (RGAE, F. 4433, Op. 1, D. 25, L. 73; GARF, F. 5446, Op. 13a, D. 1209, LL. 1–3).

9. RGAE, F. 4433, Op. 1, D. 20, LL. 26, 117; D. 89, L. 2.

10. Gorianin. "V novom svete u russkikh," 198.

11. GARF, F. 5446, Op. 13a, D. 869, L. 4.

12. GARF, F. 5446, Op. 13a, D. 869, L. 1.

13. According to the official Soviet exchange rate it equaled (respectively) about $280 and $570 (GARF, F. 5446, Op. 15a, D. 817, L. 6).

14. With the development of the currency crisis in 1926, the price was increased to two hundred rubles for working people and three hundred rubles for the "idle element" (Goland, "Currency Regulation in the NEP Period," 1280).

15. GARF, F. 5446, Op. 15a, D. 817, LL. 6, 42.

16. In the first half of 1935, compared to the first half of 1934, Torgsin's sales of foodstuffs amounted to only 36 percent, while sales of textiles and footwear was 122 percent (RGAE, F. 4433, Op. 1, D. 153, L. 22).

17. RGAE, F. 4433, Op. 1, D. 167, LL. 70 and verso, 73, 74 verso.

18. LOGAV, F. 1154, Op. 4, D. 16, L. 8.

19. The hard-currency commission stores were authorized in October 1933 by the Torgsin Board. Accepted from the population and sold on commission were imported gramophones and records, cameras, shoes, clothes, furs, watches, perfumes, cosmetics, pens and pencils, typewriters, suitcases, motorcycles, bicycles, and cars. As far as domestic goods are concerned, Torgsin's commission stores were allowed to accept only carpets and the most valuable furs. Through the commission stores, Torgsin also sold its own imported goods that were not in demand in its regular stores (TsGA RUz, F. 289, Op. 1, D. 59, L. 10).

20. RGAE, F. 4433, Op. 1, D. 167, L.70 verso.

21. In February 1934, an American bazaar had to open in Leningrad (LOGAV, F. 1154, Op. 4, D. 16, L. 18).

22. LOGAV, F. 1154, Op. 4, D. 16, L. 22; RGAE, F. 4433, Op. 1, D. 60, L. 36; D. 137, L. 10; D. 167, LL. 70, 72; D. 168, L. 148.

23. From 1934 on, the authors' currency share rose from 20 to 50 percent of the amount earned, 40 percent if sold through the commission stores. The rest was paid in regular rubles (LOGAV, F. 1154, Op. 4, D. 100, L. 2; GARF, F. 5446, Op. 15a, D. 1245).

24. RGAE, F. 4433, Op. 1, D. 100, L 14.

25. RGAE, F. 4433, Op. 1, D. 9, L. 99 and verso; D. 101, L. 115.

26. RGAE, F. 4433, Op. 1, D. 9, L. 139.

27. RGAE, F. 4433, Op. 1, D. 9, LL.108, 144; D. 90, L. 98; D. 94, L. 90; GARF, F. 5446, Op. 15a, D. 838, L. 1.

28. RGAE, F. 4433, Op. 1, D. 122, LL. 40–43, 47; D. 153, LL. 20, 21.

29. RGAE, F. 4433, Op. 1, D. 103, LL. 10–19; D. 153, L. 11.

30. With the beginning of rationing in 1930, Narkomtorg was transformed into Narkomsnab. In preparation for the abolition of rationing, Narkomsnab was divided into the People's Commissariat of Internal Trade (Narkomvnutorg; from 1938, Narkomtorg) and the People's Commissariat of the Food Industry (Narkompishchprom).

31. GARF, F. 5446, Op. 15a, D. 829, L. 1.

32. RGAE, F. 4433, Op. 1, D. 133, L. 10.

33. TsGA RUz, F. 81, Op. 1, D. 78, LL. 10, 15, 28–30, 35, 36.

34. RGAE, F. 4433, Op. 1, D. 133, LL. 141–43; D. 175, L. 59; GARF, F. 5446, Op. 15a, D. 829, L. 1; D. 857, L. 14.

35. By December 1, 1935, the amount of Torgsin's money remaining in people's possession decreased to 2.5 million gold rubles. It means that within the two weeks that followed the decree's publication, people bought goods in Torgsin worth one million gold rubles (GARF, F. 5446, Op. 16a, D. 299, L. 94).

36. Most of the holders of Torgsin money (84.1 percent) had small amounts remaining (up to one gold ruble). See RGAE, F. 4433, Op. 1, D. 133, LL. 141–43.

37. GARF, F. 5446, Op. 16a, D. 299, L. 94.

38. From Khar′kov, for example, officials reported that after the decree's publication Torgsin fulfilled its sales plan by 400 percent. Before the decree, Torgsin's gold ruble was sold on the local black market for thirty regular rubles, after the publication it went for twenty to twenty-two regular rubles (RGAE, F. 4433, Op. 1, D. 168, L. 136).

39. During the last months of Torgsin's work, money transfers from abroad also increased. Before the official announcement of its closure, Torgsin received transfers for 823,000 gold rubles per month on average, but that rose to 1.4 million gold rubles afterward (RGAE, F. 4433, Op. 1, D. 133, LL. 141–43).

40. RGAE, F. 4433, Op. 1, D. 133, LL. 141–43.

41. It is not possible to determine the number of foreigners who bought in Torgsin, since its statistics are based not on groups of buyers but on types of valuables. Foreigners in Torgsin paid almost exclusively in cash, but the foreign-currency cash received by Torgsin also included a significant contribution from Soviet people who had accumulated it during the NEP currency interventions and on the black market.

42. An NK RKI report from the spring of 1932 indicates that the government admitted this discrepancy (Marochko, "Torgsin," 100).

19. The Sorcerer's Stone

1. FOB (free on board) in international commercial law means that the seller pays for the transportation of goods to a port of shipment, plus loading costs. The buyer pays the cost of marine freight transport, insurance, unloading, and transportation from the port of arrival to the final destination.

2. Besides, goods worth forty million gold rubles sold by Torgsin in the USSR could not be sold abroad due to their poor quality (RGAE, F. 4433, Op. 1, D. 175, L. 130).

3. RGAE, F. 4433, Op. 1, D. 175, L. 130.

4. Soviet rubles were in some demand in the Baltic states, Iran, Mongolia, and China.

5. RGAE, F. 4433, Op. 1, D. 175, L. 13 verso. The report does not imply that the valuables collected by Torgsin went directly to pay these expenses. It compares Torgsin's hard-currency earnings with Soviet expenses on imports, which were paid for through a variety of sources.

6. More specifically, Narkomvneshtorg anticipated that 3.8 million regular rubles invested in Torgsin in 1932–1934 would yield 11 million rubles' worth of hard currency by 1935. At the same time, 40 million regular rubles invested in Exportkhleb (grain export) were expected to earn only 8.7 million rubles in hard currency, and 77.3 million rubles invested in Exportles (timber export) were expected to bring in only 17 million rubles in hard currency. The respective figures for Intourist (foreign tourism) were 60.2 and 8.7 million rubles.

7. RGAE, F. 4433, Op. 1, D. 175, L. 130 verso.

8. The hard-currency profitability of exports was calculated at that time as a ratio between the FOB prices of sold goods and either their cost of production (*sebestoimost'*) or producers' sale prices (*otpusknaia tsena promyshlennosti*) (RGAE, F. 4433, Op. 1, D. 60, L. 30).

9. In the second half of 1933, Torgsin sold bread products for 23.4 million gold rubles, while their FOB export price was only 6.6 million gold rubles; on other food products the figures were (respectively) 8.5 and 3.4 million gold rubles. Torgsin's prices for nonfood products were also higher than their Soviet export prices, although the gap was not as wide as with foodstuffs. Specifically, in 1933, Torgsin sold shoes and furs (counted together) for about three million gold rubles, while their FOB export price was about two million gold rubles; on textile goods the figures were (respectively) nine and four million gold rubles (RGAE, F. 4433, Op. 1, D. 132, L. 66).

10. RGAE, F. 4433, Op. 1, D. 132, LL. 67–68.

11. As the food situation improved, the sale of fashionable nonfood goods became most profitable in Torgsin. See, for example, the 1935 calculations of different goods' profitability: RGAE, F. 4433, Op. 1, D. 133, L. 68.

12. RGAE, F. 4433, Op. 1, D. 132, LL. 67–68.

13. RGAE, F. 4433, Op. 1, D. 114, LL. 50, 51.

14. Because Torgsin's economists calculated expenses based only on sold goods, their figures for Torgsin's profitability are higher than my calculations (table 21), which in addition included expenses on unsold goods, rations, shortfalls, and so on. Also unlike my estimates, the cost of imported goods bought by Torgsin with foreign currency was not deducted by Torgsin's economists from its hard-currency earnings but recalculated in Soviet producers' prices and included in the distribution costs (RGAE, F. 4433, Op. 1, D. 175, LL. 129–30 verso).

15. Distribution costs are expenses associated with the circulation of goods, including overhead; administrative, organizational and sale expenses; and the cost of packing materials, staff, and the like.

16. RGAE, F. 4433, Op. 1, D. 114, L. 50.

17. RGAE, F. 4433, Op. 1, D. 114, L. 53.

18. Materials indicate the unprofitability of sales even of torgsins in the capital city of

Moscow (TsGAMO, F. 3812, Op. 2, D. 3, LL. 43–44), let alone little shops scattered across Central Asia, Siberia, and the Far East.

19. RGAE, F. 4433, Op. 1, D. 114, L. 53.

20. According to Torgsin's final report, in 1932 its turnover of inventory (goods) took 135 days, while the required norm was 90 days; in 1933, the figures were (respectively) 130 and 102 days. After the famine, the turnover of inventory slowed considerably; in 1934, the figures were 192 and 105 days (RGAE, F. 4433, Op. 1, D. 175, L. 130 verso).

21. RGAE, F. 4433, Op. 1, D. 114, LL. 52, 53.

22. RGAE, F. 4433, Op. 1, D. 66, L. 101; D. 160, L. 104; table 23.

23. RGAE, F. 4433, Op. 1, D. 98, L. 29.

24. RGAE, F. 4433, Op. 1, D. 98, L. 29.

25. No materials were found to indicate a subsequent change in Torgsin's financing. It remained protectionist and did not stimulate cost reduction.

26. There were grounds for these fears. If the financing of Torgsin heavily depended on its sales of goods to the population and its distribution costs, then with the decline of its sales after the famine, Torgsin would have experienced a constant shortage of means to buy goods from domestic producers. This would have narrowed the assortment of goods in its stores and inevitably led to a decrease in the number of people who brought valuables to Torgsin.

27. It is not possible to assess the efficiency of Torgsin's gold purchases because the ruble expenses specifically for the gold operations are not known. Torgsin's materials provide only the overall expenses data, which are not divided by the types of its operations.

28. As explained earlier, the world price of gold, according to the Soviet estimates, was equivalent to 1.29 rubles in 1933 and 2.18 rubles in 1934–1935, per gram of purity.

29. If Torgsin's ruble revenues from the sale of goods, which went to cover its distribution costs, are not taken into account, the gold procured by Torgsin's valuables would be considerably more expensive (table 21, line 3 divided by line 4c). In this case, the cost of one conditional gram of pure gold would be 9.24 regular rubles in 1932, 5.25 regular rubles in 1933, 8.30 regular rubles in 1934, 12.59 regular rubles during the first three quarters of 1935, and 7.68 regular rubles for the whole period, on average. The most profitable year then would be 1933, followed by 1932 and 1934, and the least profitable would be 1935. According to this mode of calculation, Torgsin's procurement of gold would cost more than Dal'stroi's in 1932–1937 but probably would not exceed the cost of gold production in the state gold industry, which employed non-prison labor.

30. The following calculations, as before, are based on the conditional gold tonnage provided by all Torgsin's valuables. It is not possible to determine how much an actual gram of gold procured by Torgsin cost the state because the ruble expenses specifically for the gold operations are not known.

31. RGAE, F. 8154, Op. 1, D. 106, LL. 127 verso–28.

32. Shirokov, *Dal'stroi*, 103, citing GAMO, F. P-23cc, Op. 1, D. 5, L. 4. According to Shirokov, the cost of Dal'stroi's gold would have been much higher if it were not for the cheap labor of Gulag prisoners and the predatory attitude to extraction, as a result of which the richest, placer deposits were worked out first, requiring less capital expenditure than the ore fields. The cost of gold in the industries that employed non-prison labor was probably higher than in Dal'stroi because of labor costs and larger capital investments.

33. Piliasov, *Zakonomernosti i osobennosti osvoeniia Severo-Vostoka Rossii*, 80; Shirokov, *Dal'stroi*, 103.

34. RGAE, F. 4433, Op. 1, D. 138, L. 66.

35. Before the change made by the Gold Reserve Act at the beginning of 1934, the gold price was $20.67 US per troy ounce; then it rose to $35.

Instead of a Conclusion

1. Boris Paramonov, *Iubilei triumfa i pozora*, Radio Liberty, May 9, 2005, http://www.svoboda.org/programs/rq/2004/rq.090204.asp.

2. LOGAV, F. 1154, Op. 4, D. 156, L. 4.

3. See the minutes from the meetings of Torgsin's executives (LOGAV, F. 1154, Op. 2, D. 5, L. 123 verso; Op. 4, D. 112, L. 37; TsGA RUz, F. 288, Op. 1, D. 3, L. 200).

4. GASO, F. 1425, Op. 1, D. 23, L. 87.

5. TsGA RUz, F. 288, Op. 1, D. 66, L. 18.

6. Julie Hessler views Torgsin as one of the oases of Soviet cultured trade, but she draws attention only to a few splendid torgsins in large cities, leaving out of sight the mass phenomenon—unsightly, dirty shops in the provinces (*Social History of Soviet Trade*, 200–201).

7. This is an excerpt from the poster that announced Torgsin's store opening in the town of Sychevka (GASO, F. 1425, Op. 1, D. 22, L. 54). V. I. Marochko cites an announcement by Khar'kov's Torgsin stating that after the revolution gold lost its function as an object of decoration, as well as its consumer value, but retained its importance for the proletarian state ("Torgsin," 91).

8. Imported goods constituted only a small portion of Torgsin's offerings—about 15 percent of all sold goods (in sale prices, table 25). However, popular memory is selective. It preserves what strikes people most.

9. Interviews with Boris Khandros (code 26745, segment 33–36), Lev Bondar' (code 33675, segment 28–30), Masya Botshtein (code 48083, segment 83–85), and Riva Brylkin (code 36860, segment 15–16), USC Shoah Foundation Institute, Visual History Archive.

10. Galina Shcherbakova about herself, *Zhurnal'nyi zal*, https://magazines.gorky.media/authors/s/galina-shherbakova.

11. Deti GULAGa: Iz vospominanii detei repressirovannykh, document no. 20, Mezhdunarodnyi fond "Demokratiia," named after A. N. Iakovlev, https://www.alexanderyakovlev.org/almanah/inside/almanah-doc/124.

12. Marochko does not provide a source for this information ("Torgsin," 90).

13. Bulgakov, *Master and Margarita*, 359.

14. In 2007, employees of the food industries in St. Petersburg organized a soccer tournament "FoodBall—2007." The teams were named after their home enterprises. In this tournament, the Torgsin team defeated the Heineken team.

15. One of the firms, as a subtitle for the abbreviation "Torgsin," wrote "Trade with Compatriots," which is a juxtaposition to "trade with foreigners"—the original meaning of the abbreviation.

16. The references are to a famous song by Bulat Okudzhava.

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